

98-84323-11

U.S. Congress. Senate.

Liquor industry ...v. 2-3

Washington

1944-

98-84323-11

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U. S. Congress. Senate. Committee on the judiciary. Liquor industry. Hearings before a subcommittee of the Committee on the judiciary, United States Senate, Seventy- eighth Congress, first session, on S. Res. 206, a resolution author- izing an investigation of the alcoholic beverage industry ... Washington, U. S. Govt. print. off., 1944-	
v2-3	* tables, fold. diagrs. 231".
Frederick Van Nuys, chairman.	
CONTENTS.—pt. 1. Hearings, Dec. 10, 16-17, 1942.	
1. Liquor traffic—U. S.	1. Title.
Library of Congress	44-2140 6 ext 3 178.4
459295	HV5280.A57 (2)

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TECHNICAL MICROFORM DATA

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IMAGE PLACEMENT: IA IIA IB IIB

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TRACKING #: v. 2 - 3174/; v. 3 - 31742

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BIBLIOGRAPHIC IRREGULARITIES

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X v. 2 - pagination begins with p. 333; v. 3 - pagination begins with p. 601

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Part 2

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LIQUOR INDUSTRY

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE
SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. Res. 206

A RESOLUTION AUTHORIZING AN INVESTIGATION
OF THE ALCOHOLIC BEVERAGE INDUSTRY

PART 2

JANUARY 13, 19, AND 20, 1944

Printed for the use of the Committee on the Judiciary



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1944

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III

LIQUOR INDUSTRY

THURSDAY, JANUARY 13, 1944

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The committee met, pursuant to notice, at 10:30 a. m., in room 318, Senate Office Building, Senator Frederick Van Nuys (chairman) presiding.

Present: Senators Van Nuys (chairman), Murdock, Ferguson, and Wherry.

Present before the committee were: Sidney L. Miller, Assistant Deputy Director, Office of Defense Transportation, Edward W. Wootton, Washington representative of the Wine Institute; and Frank M. Ludwick, Chief, Distilled Spirits and Wine Sections, Beverage Division, Special Products Branch, War Food Administration.

The CHAIRMAN. All right, Mr. Mattice, you may proceed.

Mr. MATTICE. I will first call Mr. Miller.

TESTIMONY OF SIDNEY L. MILLER, OFFICE OF DEFENSE TRANSPORTATION

(Mr. Miller was duly sworn.)

Mr. MATTICE. What is your name, Mr. Miller?

Mr. MILLER. My name is Sidney L. Miller.

Mr. MATTICE. What official position do you hold with the United States?

Mr. MILLER. Assistant Deputy Director, Office of Defense Transportation.

Mr. MATTICE. How long have you held that position?

Mr. MILLER. Approximately a year.

Mr. MATTICE. Do you have some knowledge respecting the number of motor vehicles which have been and which are being operated on the highways in the United States?

Mr. MILLER. I have in my hands information furnished me by the Division of Motor Transport and by the Division of Research and Special Studies.

Mr. MATTICE. Is it by years?

Mr. MILLER. Yes, sir.

Mr. MATTICE. Beginning with what year?

Mr. MILLER. 1942.

Mr. MATTICE. Well, let us take 1942 for the purpose of the picture? What does it show in 1942, as to the number?

Mr. MILLER. The motor vehicles operating on the highways are divided into three categories here: First, passenger cars. In 1942, it was estimated there were 27,000,000 in operation on the highways.

The CHAIRMAN. 27,000,000?

Mr. MILLER. 27,000,000; yes, sir.

The CHAIRMAN. All right.

Mr. MILLER. Trucks and other property-carrying vehicles at the end of 1942, 4,650,000. Busses, taxicabs, ambulances, hearses, and so forth, 310,000.

Mr. MATTICE. That is at the end of 1942?

Mr. MILLER. Yes, sir.

The CHAIRMAN. What is the total?

Mr. MILLER. Roughly, about 32,000,000.

The CHAIRMAN. I thought maybe you had the total?

Mr. MILLER. No, sir; I haven't.

The CHAIRMAN. All right.

Mr. MATTICE. Let me ask you at this point, Mr. Miller, whether those figures include motor vehicles which are being operated or which were operated at that time by the Military Establishments of the United States?

Mr. MILLER. These figures include no vehicles operated by the military.

Mr. MATTICE. This is strictly civilian?

Mr. MILLER. That is correct.

Mr. MATTICE. All right. Now, what about 1943?

Mr. MILLER. In 1943 the estimate of passenger cars in operation was 26,000,000. Trucks and other property-carrying vehicles, 4,500,000. Busses, taxicabs, and so forth, 300,000. That is a shrinkage of about 1,200,000, roughly.

Mr. MATTICE. Has an estimate been made with respect to 1944?

Mr. MILLER. Yes, sir.

Mr. MATTICE. Will you give us that, please?

Mr. MILLER. The estimate for 1944 is: Passenger cars, 24,000,000, trucks and other property-carrying vehicles, 4,350,000; busses, taxicabs, and so forth, 290,000.

Mr. MATTICE. Well, that indicates that approximately, taking all three categories, 3½ million less motor vehicles will be on the roads this year, in 1944, than were on the roads in 1942?

Mr. MILLER. Yes, sir. That is an estimate, of course, for 1944.

Mr. MATTICE. Now, do you have any other figures with respect to that subject?

Mr. MILLER. I have not.

Mr. MATTICE. Do you have any knowledge as to how the estimate of the amount of alcohol that would be needed for antifreeze purposes is arrived at?

Mr. MILLER. I know very little about that.

Mr. MATTICE. Of course, that is done in the War Production Board?

Mr. MILLER. Yes, sir.

Mr. MATTICE. But I am wondering if they call on your agency for information such as you have given us here in the making up of their estimates.

Mr. MILLER. Yes. I think they depend, so far as the determination of the number of vehicles in operation is concerned upon reports from the Office of Defense Transportation.

Mr. MATTICE. You do not have to do that yourself, however?

Mr. MILLER. I do not.

Mr. MATTICE. As far as I know, that is all, Mr. Chairman.

The CHAIRMAN. Let me ask you just generally: Do you know what the allotment set aside for the operation of civilian vehicles in 1944 is as compared with 1942? Is it more or less?

Mr. MILLER. I have no information upon that, Senator.

The CHAIRMAN. Whom should we call to get that?

Mr. MILLER. I should say the Chemical Division of the War Production Board.

The CHAIRMAN. Any questions, Senator Murdock?

Senator MURDOCK. Thank you very much, Mr. Miller.

Mr. MILLER. Yes, sir.

Mr. MATTICE. I will call Mr. Wootton.

TESTIMONY OF EDWARD W. WOOTTON, WASHINGTON REPRESENTATIVE OF THE WINE INSTITUTE

(Mr. Wootton was duly sworn.)

Mr. MATTICE. Your name is Edward Wootton?

Mr. WOOTTON. Edward W. Wootton.

Mr. MATTICE. You have some connection with the Wine Institute, do you not, Mr. Wootton?

Mr. WOOTTON. I am in charge of the branch office maintained in Washington by the Wine Institute, which is a California trade association, the members of which are all California wineries. There are about 159 members, I think. I think more recently they changed that to 170. They operated about 220 of the 395 active bonded wineries in that State.

Mr. MATTICE. So that the association's activities are limited to California?

Mr. WOOTTON. Yes, sir; in connection with California wine.

Mr. MATTICE. And from the figures given, I take it that the association does not represent all the California wineries?

Mr. WOOTTON. It does not represent all of them, sir.

From the point of shipping finished wine, I think our membership probably ships somewhere between 80 and 85 percent of the State's production.

Mr. MATTICE. Of the total production?

Mr. WOOTTON. Of the State's production for shipment.

Mr. MATTICE. Do you have a statement that you desire to make at this time? Have you prepared a statement?

Mr. WOOTTON. Shortly before the congressional recess, we were asked whether we had any data on the participation by whisky distillers in the California wine industry. We prepared that data in a form which I think is understandable, with various tables.

The CHAIRMAN. Will you read it, or explain it, one of the two?

Mr. WOOTTON. May I explain, first, that the Wine Institute has made for 7 successive years statistical surveys of the California industry, designed to show the properties in operation, the amount of wine produced, the amount of wine sold, the amount of inventory, and so forth, and the number of tons of grapes crushed. Those surveys are necessarily made sometime after the events occur. Our last complete survey was for the 1942 calendar year. We are now preparing our survey for 1943. As a consequence, our general industry figures, which are accurate figures, are available up to December 31, 1942. Those figures given are quite generally accurate.

The comparisons made are between the industry as a whole and the properties acquired by the whisky distillers. The individual data for the individual properties is taken as of the date when we could compare it with the industry as a whole, in other words December 31, 1942. The properties listed, however, are listed as of the latest date we have the figures to, December 10, 1943. In other words, the properties listed as being acquired are listed as of December 10, 1943, but as to storage capacity, as to inventories, and so forth, they are made as of the latest date that we have available.

Mr. MATTICE. I suggest that we put that statement with the tables in the record.

The CHAIRMAN. Yes.

(The matter referred to is as follows:)

CALIFORNIA WINE PROPERTIES ACQUIRED BY WHISKY DISTILLERY FIRMS, 1938-43

The properties listed are listed as of December 10, 1943. However, to compare these properties with all wine properties in the State, it has been necessary to go back to the latest date (December 31, 1942) for which accurate State-wide figures are available. Therefore, all comparisons have been made as of such earlier date. State-wide figures are obtained from surveys made by Wine Institute regularly for the last 7 years including the calendar year 1942, the sources for which include official reports of Federal and State agencies as well as questionnaires directed to individual firms—the individual company data have been obtained from reports previously made as to the properties in question and have been checked with all the individual companies in as much detail as has been possible in the short space of time available.

It is believed that the following tables are substantially accurate and that the possible margin of error is so small as not to affect the general picture.

—Wine Institute, January 1944.

TABLE 1.—California bonded wineries owned or leased by distillers as of Dec. 10, 1943

	Location	Storage capacity	Date acquired
National Distillers Products Corporation.			
(1) Italian Swiss Colony (same firm).....	Asil.....	8,463,038	December 1942.
(2) Italian Swiss Colony (same firm).....	Clovis.....	5,174,471	Do.
(3) Shewan-Jones, Inc. (same firm).....	Lodi.....	13,637,512 2,035,707	February 1939.
Schenley Distillers Corporation:			
(4) Cresta Blanca Wine Co., Inc. (from Colonial Grape Products Co.).....	Elk Grove.....	1,631,784	September 1942.
(5) Cresta Blanca Wine Co., Inc. (from Pacific Vineyard Products Inc.).....	Geyersville.....	550,000	January 1941.
(6) Cresta Blanca Wine Co., Inc. (same firm).....	Livermore.....	1,170,680	Do.
(7) Cresta Blanca Wine Co., Inc. (from Livermore Winery, Inc.).....	do.....	369,000	October 1941.
(8) Cresta Blanca Wine Co., Inc. (from Central Winery, Inc.).....	St Helena.....	1,717,684	November 1942.
(9) Roma Wine Co. (same firm).....	Fresno.....	5,429,518	Do.
(10) Roma Wine Co. (from Laurence J. Rossano and Louise Rossano Giovannoni).....	Fresno.....	975,809	Do.
(11) (a) Roma Wine Co. (same firm).....	Lodi.....	5,568,414	Do.
(b) Dubonnet Corporation (occupies portion of above premises) (Schenley affiliate).....	do.....	7,607,090	Do.
(12) Roma Wine Co. (from Central Winery, Inc.).....	Kingsburg.....	7,607,090	Do.
(13) Schenley Distillers, Inc. (from Roma Wine Co., Inc.).....	Manitoba.....	23,281,007 1,473,696	May 1938.
		30,154,221	

TABLE 1.—California bonded wineries owned or leased by distillers as of Dec. 10, 1943—Continued

	Location	Storage capacity	Date acquired
Joseph E. Seagram & Sons, Inc.:			
(14) Paul Masson, Inc. (same firm).....	Sanatoga.....	17,000	April 1943.
(15) Mount Tivy Winery (same firm).....	Reedley.....	2,106,160 2,125,160	December 1942.
Hiram Walker, Inc.:			
(16) Valliant & Sons Vineyards, Inc. (from San Benito Winery).....	Hollister.....	205,000	April 1943.
(17) Valliant & Sons Vineyards, Inc. (from R. Martini Wine Co.).....	Santa Rosa.....	1,672,850	August 1943.
		1,877,880	
Grand total.....		49,860,450	

TABLE 2.—Alphabetical list of largest (3,000,000 gallons or more capacity) wineries in California as of Dec. 10, 1943

[Storage capacity basis—18 wineries]		Size (gallons)
Company:		
Alta Vineyards Co.....		3,750,000
K. Arakelian, Inc.....		8,300,000
Biscaglia Bros. Wine Co.....		3,600,000
California Grape Products Co.....		5,000,000
California Wine Sales, Inc. ¹		8,700,000
Cameo Vineyards Co.....		3,500,000
Cresta Blanca Wine Co. ²		5,429,000
Cribari & Sons.....		5,000,000
Di Giorgio Fruit Corporation.....		8,500,000
Fruit Industries, Ltd. ³		16,315,000
E. & J. Gallo Winery.....		5,000,000
Italian Swiss Colony ⁴		13,637,512
Italian Vineyard Co.....		3,750,000
Padre Vineyards Co.....		4,000,000
Petri Wine Co.....		8,000,000
Roma Wine Co. ⁵		23,281,007
Sebastiani Winery.....		3,000,000
Tulare Winery Co.....		3,000,000

¹ Nonprofit farmers' cooperative, composed of the following members: (1) Bear Creek Vineyard Association, (2) Cucamonga Pioneer Vineyard Association, (3) Del Rio Winery, and (4) Sanger Winery Association.

² Owned by Schenley Distillers Corporation.

³ Nonprofit farmers' cooperative, composed of the following members: (1) Cherokee Vineyard Association, (2) Community Grape Corporation, (3) Cucamonga Growers Cooperative Winery, (4) Delano Growers Cooperative Winery, (5) Florin Winery Association, (6) Napa Valley Cooperative Winery, (7) A. Perilli-Murri & Sons, (8) Russian River Winery, (9) Sonoma County Cooperative Winery, and (10) Woodbridge Vineyard Association.

⁴ Owned by National Distillers Products Corporation.

TABLE 3.—Number of active bonded wineries in California, total and those owned by distillers, as of Dec. 10, 1943

	Number	Percent of State total
State total.....	396	100.00
National Distillers Products Corporation.....	3	.75
Schenley Distillers Corporation.....	10	2.53
Joseph E. Seagram & Sons, Inc.....	2	.51
Hiram Walker Inc.....	2	.51
Distillers' total.....	17	4.30

TABLE 2.—Alphabetical list of largest (8,000,000 gallons or more capacity) wineries in California as of Dec. 10, 1943—Continued

TABLE 4.—Wine storage capacity on Dec. 31, 1942

	Gallons	Percent of State total
State total.....	215,498,637	100.00
National Distillers Products Corporation.....	16,673,219	7.77
Schenley Distillers Corporation.....	30,184,221	14.01
Joseph E. Seagram & Sons, Inc.....	2,126,160	.99
Hiram Walker, Inc.....	1,877,880	.87
Distillers total.....	40,860,480	23.14

TABLE 5.—Grapes crushed, 1942 vintage season

	Tons	Percent of State total
State total.....	506,033	100.00
National Distillers Products Corporation.....	33,392	6.60
Schenley Distillers Corporation.....	71,801	12.05
Joseph E. Seagram & Sons, Inc.....	5,005	.84
Hiram Walker, Inc.....	4,827	.81
Distillers total.....	115,025	19.30

(This table does not show wine being held by one firm for the account of another and not yet actually taken into inventories of the latter firm. Therefore, the above figures do not include wine which these firms may have had under contract for future delivery to them by other wineries. Such transactions will be ultimately reflected in the inventory and sales volume figures.)

TABLE 6.—Wine produced,¹ 1942 vintage season

	Gallons	Percent of State total
State total.....	62,146,725	100.00
National Distillers Products Corporation.....	3,334,791	5.36
Schenley Distillers Corporation.....	7,980,892	12.86
Joseph E. Seagram & Sons, Inc.....	272,653	.44
Hiram Walker, Inc.....	911,728	1.47
Distillers total.....	12,190,533	19.63

¹ Cross production, before adjustments for losses, amelioration, etc.

(This table does not show wine being held by one firm for the account of another and not yet actually taken into inventories of the latter firm. Therefore, the above figures do not include wine which these firms may have had under contract for future delivery to them by other wineries. Such transactions will be ultimately reflected in the inventory and sales volume figures.)

TABLE 7.—Wine inventories on Dec. 31, 1942

	Gallons	Percent of State total
State total.....	122,971,174	100.00
National Distillers Products Corporation.....	9,068,452	7.37
Schenley Distillers Corporation.....	19,919,996	16.20
Joseph E. Seagram & Sons, Inc.....	927,697	.75
Hiram Walker, Inc.....	1,494,335	1.22
Distillers total.....	31,409,478	25.54

(This table does not show wine being held by one firm for the account of another and not yet actually taken into inventories of the latter firm. Therefore, the above figures do not include wine which these firms may have had under contract for future delivery to them by other wineries. Such transactions will be ultimately reflected in the inventory and sales volume figures.)

TABLE 8.—Wine sales volume, 1942

	Gallons	Percent of State total
State total.....	96,119,145	100.00
National Distillers Products Corporation.....	8,071,616	8.39
Schenley Distillers Corporation.....	13,292,793	13.79
Joseph E. Seagram & Sons, Inc.....	1,225,266	1.27
Hiram Walker, Inc.....	1,110,938	1.15
Distillers total.....	23,658,613	24.60

TABLE 9.—Vineyard holdings

A. Total California vineyards (all varieties and uses), 1942.....	acres..	506,095
B. Distiller holdings, as of Dec. 10, 1943:		
(1) National Distillers Products Corporation.....	acres..	1,150
(2) Schenley Distillers Corporation.....	do....	3,200
(3) Joseph E. Seagram & Sons, Inc.....	do....	80
(4) Hiram Walker, Inc.....	do....	81
Total.....		4,511
C. Average utilization of California vineyards:		
(1) Supplying markets other than wineries (approximately 60 percent total acreage).....	acres..	303,657
(2) Supplying California wineries (approximately 40 percent total acreage).....	acres..	202,438
(a) By sale of grapes to wineries (approximately 20 percent total acreage).....	acres..	101,219
(b) From winery-owned vineyards (approximately 20 percent total acreage).....	acres..	101,219
Total.....		506,095
D. Relative vineyard holdings of all distillers:		
(1) Compared with total State acreage.....	percent..	0.89
(2) Compared with acreage supplying California wineries.....	percent..	2.22
(a) Compared with total acreage supplying grapes to wineries by sale.....	percent..	4.45
(b) Compared with total acreage owned by wineries.....	percent..	4.45

Mr. WOOTTON. Now, these tables show that the four large whisky distilleries, namely, National, Schenley, Seagram, and Hiram Walker, have, during the period 1938 through 1943, acquired some 17 winery properties. There are 395 active bonded wineries in the State, and these properties constitute 4.3 percent of the number of properties.

Senator MURDOCK. What percentage?

Mr. WOOTTON. 4.3 percent, sir.

The CHAIRMAN. You mean in number of production?

Mr. WOOTTON. In number, sir.

The CHAIRMAN. You are going into the question?

Mr. WOOTTON. I am going into the question; yes, sir.

The CHAIRMAN. All right, go right ahead.

Mr. WOOTTON. As to the storage capacity of these properties, compared with that of the industry as a whole, the State total is 215,493,637, of which all the distillers' properties amount to 49,860,480 gallons, or 23.14 percent.

These acquisitions, of course, are not all of one firm, they are of four firms, and the respective percentages for the different firms are: National, 7.27 percent; Schenley, 14.01 percent; Seagram, 0.99 percent, and Hiram Walker, 0.87 percent.

The storage capacity is the usual way of measuring the approximate size and potentiality of operation of the winery, to give you a rough idea.

Mr. MATTICE. You mean that that is the yardstick used regardless of how much was produced?

Mr. WOOTTON. Because when a man builds his winery, he designs the capacity to be in line with the operations he is going to conduct. As you know, wine is not sold immediately as soon as it is made, there is a carry-over, ageing inventory, and so forth, and you build your storage capacity to handle that.

Mr. MATTICE. Go ahead.

Mr. WOOTTON. Another method of comparison is on tonnage of grapes crushed. During the 1942 vintage season, the total crush was 596,033 tons, of which the distillers properties crushed 115,026 tons, or 19.3 percent. The break-down of the individual firms is as follows: National, 5.6 percent; Schenley, 12.05 percent; Seagram's, 0.84 percent; and Hiram Walker, 0.81 percent.

Production during the 1942 vintage season for the State as a whole was 62,146,725 gallons. The distillers properties produced 12,199,533, or a percentage of 19.63 percent.

As to inventories on hand on December 31, 1942, there was in the State as a whole 122,971,174 gallons, of which the distillers' properties held 31,409,478 gallons, or 25.54 percent.

As to sales volume during the calendar year 1942, California sold a total of 96,119,146 gallons. The sales from the distillers' properties at that time amounted to 23,658,613 gallons, or 24.6 percent.

As to vineyard holdings acquired by the distillers it was somewhat difficult to select a basis of comparison, so we have given you several bases of comparison. The total acreage in the State is 506,095 acres of grapes of all kinds, which go into all sorts of uses. Many of these varieties of grapes are interchangeable. One year they will be dried or sold fresh, and the next year they might be sold to a winery. We believed you wanted a comparison so far as the winery picture is concerned, but we have to do it on a general average, because the grapes vary from year to year and go to different uses.

Of the total acreage of 506,095 in the State, the distillers own 4,551, broken up as follows: National, 1,150 acres; Schenley, 3,200 acres; Seagram's, 80 acres; and Hiram Walker, 81 acres.

Now, of the total acreage in the State of something over 500,000 acres may be, in an average year, broken down as follows: 60 percent of it supplying outlets or markets other than the wineries, and about 40 percent of it going to wineries. Of this 40 percent acreage supplying grapes for the wineries, about half, or 20 percent of the total acreage, supplies grapes to wineries by selling them to them, and the other half of the acreage is owned by the wineries themselves. Now, the total acreage on that break-down of total acreage which supplies grapes to California wineries would be 202,438, 101,219 of which supplies grapes by sale, and the other 101,219 supplies grapes by winery ownership.

Now, comparing the total distiller holdings, acreage holdings, which are all primarily wine-grape holdings, with the last figures we find that they own, of all the acreage supplying grapes to the wineries, 2.22 percent, and as to acreage supplying grapes to wineries by sale, that would amount to 4.45 percent, and the same percentage with respect to the total acreage owned by the wineries. In other words, roughly, the participation in the vineyards, as far as the vineyards supplying the wineries is concerned, is somewhat less than 5 percent.

Mr. MATTICE. Now, Mr. Wootton, from that it appears that these four distilling companies in their California operations seem, at least for the period you have mentioned here, in 1942, to depend upon buying the grapes rather than raising them themselves?

Mr. WOOTTON. That is correct. If you go to the first table, which gives a list of the properties acquired, we have noted under the name of each whisky distillery the California subsidiary, whether they were the same firm that was originally in existence in California, or whether they were another firm. Now, those firms that are listed there are the firms from which the properties were acquired. I think every one of them were in the business before of purchasing grapes. This class of winery is usually called out there a commercial winery as distinguished from the farmers' cooperative winery. Commercial wineries own some of their own vineyards, but they also do a lot of buying of some other grapes.

Mr. MATTICE. Now, you do not have the figures in the same respect you have given here on 1943?

Mr. WOOTTON. No, sir.

Mr. MATTICE. They are not available yet?

Mr. WOOTTON. No, sir; we never started our survey until just about the end of the year that we are working on. For example, we have questionnaires going out now on the grape crush that took place last fall, and the returns on that will be available in February.

Mr. MATTICE. You characterize that as a great crush?

Mr. WOOTTON. As a grape crush.

Mr. MATTICE. How did it compare, generally speaking, with 1942? Was it greater or lesser?

Mr. WOOTTON. 1942 was a very low year. It is only half, approximately, of 1941. 1943, as far as we can tell, will be roughly, maybe, 75 percent of 1941, which is a good year. We are using it as a normal base year. The sharp decrease in 1942 is due to the necessity of supplying grapes for food under Government orders that require

that they be dried, and the crop also was short, naturally short that year, anyhow.

Mr. MATTICE. Wasn't there a program of that kind in 1943?

Mr. WOOTTON. There was a similar program in 1943.

Mr. MATTICE. I mean for food purposes?

Mr. WOOTTON. That is correct, sir.

Mr. MATTICE. For producing raisins.

Mr. WOOTTON. Yes, for producing raisins, but we had the largest stock in the history of the State, 2,600,000 tons.

Mr. MATTICE. I was under the impression that the crop of 1943 was rather large.

Mr. WOOTTON. That is correct.

Mr. MATTICE. As compared to former years.

Mr. WOOTTON. That is correct. The drying weather was very good this year also, so a great proportion of that crop did actually go into the dried product instead of the winery.

Mr. MATTICE. Is it not a fact that the program for the drying of grapes for food purposes was not carried out in its entirety in 1943?

Mr. WOOTTON. In 1943, I should say the opposite, sir. I think the Government got more than it originally hoped to get. I think the total tonnage dried was 368,000 dried tons.

Mr. MATTICE. Well, there was some difficulty, was there not, with respect to the growers of grapes who had entered into that program and were unable to complete it because of the lack of facilities which the Government was to furnish and did not furnish?

Mr. WOOTTON. I am not familiar with that, sir.

Mr. MATTICE. Haven't you heard of that?

Mr. WOOTTON. There were probably individual cases where they were short of trays for drying—things like that.

Mr. MATTICE. Do you know generally about that program?

Mr. WOOTTON. No, sir; I do not.

Mr. MATTICE. The program which was set up by the War Food Administration?

Mr. WOOTTON. I do not. I know about the general purposes of the program, but the actual operation, how it worked in detail, I do not know.

Mr. MATTICE. Do you recall having heard in the trade that, among other things, the Government was to provide 10,000,000 trays for drying purposes and did not, that it only furnished 3,000,000 trays?

Mr. WOOTTON. I heard there was a shortage of trays, sir, but what the cause of it was, and what the amount was, I do not know.

Mr. MATTICE. Do you know what was done in that situation, if that was the situation? If the trays were not available, what would these grape growers do with their grapes if they could not dry them?

Mr. WOOTTON. If they cannot be dried, they can either be shipped fresh or shipped to the wineries.

Mr. MATTICE. Do you know what they did with them?

Mr. WOOTTON. I do not think very many of them went to the wineries, sir, according to the preliminary figures on the 1943 crush.

Mr. MATTICE. Don't you know about the fact of the Government going in and buying grapes from the growers who were not able to complete the program of dehydrating them, making raisins out of them? Haven't you heard about that?

Mr. WOOTTON. That conversion may have totaled 50,000 or 60,000 tons, which is a small part of the total.

Mr. MATTICE. You do not think it was any greater than that?

Mr. WOOTTON. No, sir.

Mr. MATTICE. Do you know what price they received for the grapes which they thus finally sold to the Government instead of making raisins out of them?

Mr. WOOTTON. The price was much higher.

Mr. MATTICE. Do you know the figure?

Mr. WOOTTON. It was on a sugar basis, and it was around \$80 a ton, or \$87 a ton.

Mr. MATTICE. Did the Government pay the growers for the grapes?

Mr. WOOTTON. Yes.

Mr. MATTICE. How much?

Mr. WOOTTON. There was a ceiling.

Mr. MATTICE. \$30.30 a ton, was it not?

Mr. WOOTTON. That is correct.

Mr. MATTICE. And then the Government turned around and sold the grapes to the wineries for \$75 a ton; that is correct, is it not?

Mr. WOOTTON. Yes.

Mr. MATTICE. You think it was only about 60,000 tons?

Mr. WOOTTON. Possibly 85,000 tons.

Mr. MATTICE. Your association is an association of wineries?

Mr. WOOTTON. That is correct; we are not raisin growers or grape growers.

Mr. MATTICE. So, you would not have been in there pitching, trying to help the grape growers dispose of their crops when they were unable to carry out the raisin program; your association would not have been interested in that?

Mr. WOOTTON. We normally take grapes that are not dried. We are a natural outlet for grapes that are in that condition.

Mr. MATTICE. Now, these percentages which you have given us and which are set out in these tables, with respect to the four distillers, would they run higher or greater—estimating, of course—in 1943 than they did in 1942? Will you have some general idea about that?

Mr. WOOTTON. We actually have no figures, as I said, sir, for example, on the grapes crushed.

Mr. MATTICE. I appreciate that.

Mr. WOOTTON. All I can say on that is what I heard, and that is that during the 1943 season, when it actually boiled down to the end of it, the wineries stayed substantially in the same relative position that they did before, and also the Italian Swiss colony and Roma Wine Co. got somewhat less than the relative proportion of the previous years. I do not know what the facts are.

Mr. MATTICE. Let us take one of your tables just as a sample, let us take the grapes crushed shown in your table 5.

Mr. WOOTTON. Yes.

Mr. MATTICE. There it shows that the four distillers in 1942 crushed 19.3 percent of the total crush of a little over half a million tons.

Mr. WOOTTON. Yes.

Mr. MATTICE. Would you have some idea whether in 1943 that would be more or less?

Mr. WOOTTON. Well, the total crush figure probably is going to run somewhere between 750,000 and 800,000 tons, as far as I can tell.

Mr. MATTICE. It would be larger, from what you said about the crop?

Mr. WOOTTON. Yes.

Mr. MATTICE. What would you think about the percentage of the total, whatever it was, crushed by the four distillers?

Mr. WOOTTON. I assume from what I heard it would probably remain the same.

Mr. MATTICE. Around 20 percent?

Mr. WOOTTON. Around 20 percent. As I say, I do not know the facts.

Mr. MATTICE. Let me ask you, while I think of it, Mr. Wootton, there are in those wineries in California, are there not, some distilling equipment?

Mr. WOOTTON. Yes.

Mr. MATTICE. Such as is used in alcohol distilleries?

Mr. WOOTTON. Yes.

Mr. MATTICE. They are called stills?

Mr. WOOTTON. That is right.

Mr. MATTICE. I do not know whether they are the same piece of apparatus or not, but at least they are capable of taking the fruit, making a mash and distilling it, and, among other things, they make brandy from it.

Mr. WOOTTON. Yes.

Mr. MATTICE. Do you have any knowledge concerning the time when at least it was rumored those stills were to be taken out, all of them, and shipped East and put into the plants in the East that were making industrial alcohol? Do you happen to know about that?

Mr. WOOTTON. I think it was in the spring and summer of 1942 when the War Production Board indicated that it was going to set up a program in the Middle West, near the source of grain supply, for having the whisky distilleries instead of distilling whisky, distill alcohol. The ordinary whisky still is usually not equipped to turn out alcohol. It has to have a rectifying column on it which will take the flavor out and increase distillation up to 190 or over. Our stills in California make excellent rectifying apparatus. After consultation with the War Production Board, the people on the coast—

The War Production Board had consultations with the various firms on the coast, and it was found from between 20 to 30 pieces of still equipment could be released, and I believe they were eventually released and wound up in the Midwest as part of the converted whisky plant program.

Mr. MATTICE. Was that any considerable portion of the total number of such equipments there, or was that just a drop in the bucket, so to speak?

Mr. WOOTTON. It was a fair proportion. I do not have in mind the total number of stills, but it was a fair proportion.

Mr. MATTICE. I did not know that they did actually move some of the equipment.

Mr. WOOTTON. Yes.

Mr. MATTICE. Eastward.

Mr. WOOTTON. Yes.

Mr. MATTICE. I had not been told that before. I understood there was some talk of doing it.

Mr. WOOTTON. I think in some cases they were scheduled to be moved but they did not actually move.

Mr. MATTICE. Do you know why it was not done?

Mr. WOOTTON. No, sir.

Mr. MATTICE. Why the program was abandoned?

Mr. WOOTTON. No, sir.

Mr. MATTICE. When was that? In 1942?

Mr. WOOTTON. I think those transactions occurred in the summer of 1942.

Mr. MATTICE. When were these California wine properties acquired by the four distillers? In what years?

Mr. WOOTTON. The total range is from 1938 through 1943.

Mr. MATTICE. When was the most of it done? In what year?

Mr. WOOTTON. The large volume of it was acquired in 1942, the fall of 1942.

Mr. MATTICE. Now, can you tell us whether, in respect to 1942 when those four distilleries acquired the bulk of the California wine properties, as to whether that was before or after the time when that program was under way to pull the stills out of California and ship them east?

Mr. WOOTTON. I would say they ran along about the same time.

Mr. MATTICE. I will ask you if it is not a fact that it was after the program of shipping the stills east was abandoned, that the four large distillers went into California and bought properties, wine properties, of a considerably greater number than they had previously done?

Mr. WOOTTON. Well, sir, I have never understood that the program you are referring to was abandoned, because, as I understood it, at least the major portion of the program was carried through.

Mr. MATTICE. That may be.

Mr. WOOTTON. I should say the negotiations leading to the acquisition of the stills preceded the date of actual acquisition, the final date of acquisition of the properties.

Mr. MATTICE. Did your association have any part in that?

That is, were you paying attention to it at the time these things were going on?

Mr. WOOTTON. The War Production Board asked us for information about the number of stills and who owned them, and that sort of thing, and that led up to the final negotiations directly with the firms.

Mr. MATTICE. I take your association was interested in that program, was it not?

Mr. WOOTTON. Yes.

Mr. MATTICE. Did your association take any position on it, that is as to whether it favored it or whether it opposed it?

Mr. WOOTTON. Well, we wanted to do as much as we could to help along, as far as that is concerned.

Mr. MATTICE. Help along in what respect?

Mr. WOOTTON. Well, the Government's war alcohol program.

Mr. MATTICE. If that involved taking the stills out of California, you favored it?

Mr. WOOTTON. It was a question of finding out how many stills the Government actually needed, and a question of locating the stills. You know some of the stills were not being used and others were, and that sort of thing, as to which were the most readily available, but the final negotiations were between the Government and the individual firms.

Mr. MATTICE. Do I understand you then as saying that your association was not in favor of taking all of the stills out of California?

Mr. WOOTTON. Not unless it was absolutely necessary; no, sir.
 Mr. MATTICE. Do you happen to know who it was in the War Production Board that had to do with that matter and who gave whatever direction was given in respect to taking the stills out of California?

Mr. WOOTTON. The section involved was the Chemical and Solvents Section, I believe, which I believe was headed by Mr. Boyer, and Mr. McNamara was the consultant.

Mr. MATTICE. Who was Mr. McNamara?

Mr. WOOTTON. Mr. McNamara was from the National Distillers.

Mr. MATTICE. What was his full name? Matthew J., was it not?

Mr. WOOTTON. Yes.

Mr. MATTICE. You say he was from the National Distillers?

Mr. WOOTTON. Yes.

Mr. MATTICE. You mean he was from the National Distillers; you mean he had formerly been with the National Distillers, is that right?

Mr. WOOTTON. He is an officer of National Distillers.

Mr. MATTICE. You put it in the present tense. Is he now an officer?

Mr. WOOTTON. He always was. I think he was on loan.

Mr. MATTICE. He has been an officer of National Distillers all the time?

Mr. WOOTTON. I do not know actually, sir, what his relationship was.

Mr. MATTICE. At the time he was connected with the War Production Board was he then an officer of the National Distillers?

Mr. WOOTTON. I believe so.

Mr. MATTICE. He is not connected with the War Production Board at the present time?

Mr. WOOTTON. No, sir.

Mr. MATTICE. And how long since did he leave there, about?

Mr. WOOTTON. I do not recollect the exact date, sir. I believe the fall of 1942, or early 1943.

Mr. MATTICE. It has been at least a year ago?

Mr. WOOTTON. Approximately; yes, sir.

Senator MURDOCK. May I ask a question?

Mr. MATTICE. Yes, sir.

Senator MURDOCK. Do you know whether he is with the National Distillers now?

Mr. WOOTTON. I believe he is, sir; yes.

Senator MURDOCK. He went right back to his job with them?

Mr. WOOTTON. Yes, sir; as far as I know.

Mr. MATTICE. During this period when Mr. McNamara was with the War Production Board and when this program of taking the stills out of California was under way, do you know what Mr. McNamara's salary was, that he received from National?

Mr. WOOTTON. No.

Mr. MATTICE. Do you know whether he drew a salary or whether he was a dollar-a-year man?

Mr. WOOTTON. I guess he was a dollar-a-year man.

Mr. MATTICE. You do not know, though, whether he received a salary from the National Distillers?

Mr. WOOTTON. No.

Mr. MATTICE. Mr. Boyer, is he still connected with the War Production Board?

Mr. WOOTTON. I believe so; yes, sir.

Mr. MATTICE. What is his title?

Mr. WOOTTON. I believe, Chief of the Chemical and Solvents Section.

Mr. MATTICE. Chief of the Chemical and Solvents Section?

Mr. WOOTTON. Yes.

Mr. MATTICE. Was Mr. Boyer connected with either of these distilling companies?

Mr. WOOTTON. I do not know what Mr. Boyer's connections are at all, sir; I do not believe so.

Mr. MATTICE. Now, Mr. Wootton, let me ask you about another subject in connection with the California wine industry. There was a time when the Office of Price Administration established ceiling prices, was there not, on both grapes and wine? You are familiar with that?

Mr. WOOTTON. Yes, sir.

Mr. MATTICE. When was that? What year?

Mr. WOOTTON. We have had several successive regulations. The first was the general maximum price regulation which came along about April 1942 and froze prices as of March 1942. That applied to wine prices, that did not apply to grape prices. Following that several adjustments were made in the original base from which we had to work, and there were several successive wine regulations.

Mr. MATTICE. Did your association have any part in or any contact with those matters at the time they occurred?

Mr. WOOTTON. Yes, sir. It is part of our job, in connection with any regulation, to get for the Government the facts that it wants or needs to help prepare the regulations, as far as they are available to us.

Mr. MATTICE. Will you give us a little picture of how it was done? Is there a committee, or something, that meets and after discussion it determines upon the matter of ceilings? How was that done?

Mr. WOOTTON. As far as actual pricing was concerned and all that part of it, the matter was conducted directly between O. P. A. and individual firms. In other words, we had nothing to do with their prices, not, as a matter of fact, with the general price levels that prevailed. That is outside our functions. As to giving the general information to the O. P. A., we gave it to them.

Mr. MATTICE. I want to ask you this, Mr. Wootton. I understand there is now—I do not know whether there was then—an advisory committee in respect to wine.

Mr. WOOTTON. That is correct. There have been several committees in connection with the several orders.

Mr. MATTICE. Which is correct?

Mr. WOOTTON. Up until now, until a few months ago, there was no formal advisory committee. There had been no procedure set up in O. P. A. for that arrangement, so O. P. A. appointed informal committees as representatives of the industry and consulted with them on those matters.

Mr. MATTICE. There came a time, did there not, when O. P. A. set about to fix ceiling prices on grapes, that is, as to the prices which the grower might charge for his grapes?

Mr. WOOTTON. Yes.

Mr. MATTICE. When was that?

Mr. WOOTTON. That was in the early summer of 1943. There had been no ceiling on grapes in the 1942 season.

Mr. MATTICE. There was a ceiling on wine, on the finished product, but no ceiling on the material from which the finished product was made?

Mr. WOOTTON. That is correct.

Mr. MATTICE. Until 1943?

Mr. WOOTTON. That is correct.

Mr. MATTICE. Did O. P. A. put ceiling prices on fresh grapes in 1943?

Mr. WOOTTON. In 1943, though somewhat later in the season, ceilings had been placed on all grapes except on sales to the winery. Senator FERGUSON. I did not hear the last part.

Mr. WOOTTON. Except on sales to the wineries.

Mr. MATTICE. In other words, if the grape grower sold his grapes to a man driving along the road, who was not connected with a winery, he was limited in the price he could charge for them. If he shipped them out of the State to the markets, generally to the East, he operated under a price ceiling, but if he sold them to a winery, he was not under a price ceiling?

Mr. WOOTTON. That is right.

Senator FERGUSON. What reason was given for that?

Mr. WOOTTON. The grapes that go to the wineries are a tremendous number of varieties from different parts of the State and they always have their individual values. I guess the prices from the lower price values to the higher price values might vary anywhere from \$50 to \$60 a ton. The reason for that is they are grown in different districts, they are different kinds of grapes, they have a different yield per acre, and they make different kinds of wine, some of which command more value than others, and as the result the fixing of ceilings on all those different varieties is a very hard job. In the 1942 season the O. P. A. said that in the wine price it would allow a grape cost to be reflected up to a certain point per ton, \$28.20, and that would be the figure on which the wine prices would be based.

While there was no ceiling in the 1942 season, the actual average figures that were returned to the farmer as they later developed, turned out to be \$30.30, which is fairly close to the figure that the O. P. A. had in mind when it was setting the wine ceilings. I assume that the O. P. A. felt the same system would work this next year, in 1943.

Mr. MATTICE. Now, Mr. Chairman, I would like to read into the record at this time a press release of the Office of Price Administration dated September 3, 1943. I think it is pertinent in connection with the matters we are now discussing.

The CHAIRMAN. Read it out loud.

Mr. MATTICE (reading):

From San Francisco district office, Office of Price Administration, 1355 Market Street, San Francisco.

For release to Friday P. M. S., September 3, 1943.

The Office of Price Administration today warned the western wine and grape industry that continued purchase of juice grapes at reported current high prices may involve heavy losses for buyers when new regulation covering juice grapes, wines, and related products are established. The new regulations are expected to be made public within the next few days.

Office of Price Administration officials here declared that amendments to maximum price regulations 425 and 426, now being drawn in Washington, D. C., will set prices covering juice grapes for out-of-State shipment on the basis of an average return to the grower of \$37.10 a ton, while flat prices to be established for bulk and packaged wines will be based on a \$30.30 average return to the grower.

"Paying in excess of these average figures is pure speculation," Office of Price Administration warned, revealing it is receiving reports of juice grape purchases ranging from \$65 to as high as \$85 a ton.

The Office of Price Administration declared it will investigate excessive payments to growers to determine whether they involve any of the following: (1) Diversion of new wine into so-called "high-ceiling" brands, as a subterfuge to get around ceilings. The new wine regulation, Office of Price Administration pointed out, will roll back prices on such "high-priced" brands put on the market since March of 1942; and will not raise the ceilings on old brands; (2) diversion into making of fruit spirits. Ceiling prices on grape spirits are now under \$1 per proof gallon, so that in legitimate trade the processor cannot break even if he pays growers substantially in excess of the average \$30.30 price; (3) diversion to brandy, domestic or for export. Current ceilings on new brands are even lower on a wine gallonage basis than those for grape spirits, and Office of Price Administration warned it will keep an eye on any attempts to export brandies at higher than ceiling prices; (4) excessive processing charges at approximately last year's level, thus invalidating processing contracts involving material price increases.

The Office of Price Administration pointed out that cooperative wineries are subject to the same restrictions on wine prices as other wineries.

Do you recall when that press release was put out by the Office of Price Administration—September 3, 1943?

Mr. WOOTTON. Yes, sir.

Mr. MATTICE. What happened as the result of that, with respect to the grape growers in California, if you know, with respect to what they did and how they conducted their sales?

Mr. WOOTTON. I would say it had no effect on the actual marketing of grapes.

Mr. MATTICE. Might it not have had an effect upon the price at which the grapes were marketed? Let me ask you this further: If you had at that time been a grower of grapes in California and you read the press release put out by O. P. A. saying they were going to put a ceiling of \$30.30 on grapes to be used inside of the State of California, would that not have affected you in the matter of what price you would charge for the grapes?

Mr. WOOTTON. A ceiling on the wine?

Mr. MATTICE. This is a ceiling on grapes.

Mr. WOOTTON. That release stated there would be a ceiling on wine.

Mr. MATTICE. There would be a ceiling on wine, but the price was \$30.30 per ton for the grapes to be paid the grower.

Mr. WOOTTON. No, sir. May I explain it?

Mr. MATTICE. Yes, sir.

Mr. WOOTTON. It said the average price on wine ceilings would not reflect an average price paid for grapes.

Mr. MATTICE. I will save time, I think, by asking you if, in fact, the Office of Price Administration did not, within a few days after the date mentioned on that press release, put a ceiling on grapes, a ceiling price which the grower could charge, and the price was \$30.30 a ton for grapes to be used in the State and \$37.10 for grapes to be shipped out of the State?

Mr. WOOTTON. No, sir; there was no ceiling.

Mr. MATTICE. They never did that?

Mr. WOOTTON. No, sir; and the release did not say so.

Mr. MATTICE. Whether the release says so or not, I am just asking now whether O. P. A. did not do it.

Mr. WOOTTON. They never did.

Mr. MATTICE. They never did put a ceiling on grapes which the growers could charge?

Mr. WOOTTON. To the winery?

Mr. MATTICE. To the winery.

Mr. WOOTTON. Yes.

Mr. MATTICE. I see you are dividing it. They did put a ceiling on grapes sold to anyone else except the winery?

Mr. WOOTTON. They were relying on the wine ceiling.

Mr. MATTICE. We may just misunderstand each other a little bit. Let me straighten that out. What you are saying is the O. P. A. did not put a ceiling on the price of grapes from the grower if sold to the wineries?

Mr. WOOTTON. Yes.

Mr. MATTICE. Laying that aside, did they put a ceiling on the price of grapes which the grower sold if he sold to others than wineries?

Mr. WOOTTON. Yes. I think there may be one small exception to that, which is not important.

Mr. MATTICE. Was that price \$30.30 a ton?

Mr. WOOTTON. With the ceiling on it?

Mr. MATTICE. Yes.

Mr. WOOTTON. That was \$37, I think, according to the release.

Mr. MATTICE. That was for grapes shipped out of the State, was it not?

Mr. WOOTTON. Yes.

Mr. MATTICE. There were two prices, one for grapes used in the State and one for grapes used out of the State, were there not?

Mr. WOOTTON. I believe so. I am not familiar with the grape price ceilings.

Mr. MATTICE. What happened after those things were done? This announcement was made in the press and sometime subsequent to that O. P. A. did establish ceiling prices for grapes, at least applicable to some. If it was not applicable to the situation of grapes sold to wineries, it was applicable to grapes sold for other purposes.

What happened with respect to growers of grapes out in California? Did they sell at \$30.30, or what did they do? Do you happen to know?

Mr. WOOTTON. No, sir. The prices for grapes to the wineries were substantially higher than they were in the preceding season.

Mr. MATTICE. I do not know what you mean by "substantially higher." Did they get around \$100 a ton?

Mr. WOOTTON. There were some such sales there, I believe.

Mr. MATTICE. Would not you call that more than substantial?

Mr. WOOTTON. I will tell you, sir. The unofficial report in connection with the crush this year indicated probably the average prices for all grapes sold to wineries would be around \$77 a ton, but that is still not complete or final.

Senator FERGUSON. How could they then sell wine on the basis of \$30.30 when they pay anybody \$70 for the grapes?

Mr. WOOTTON. They cannot.

Senator MURDOCK. What do you mean by "fruit spirits"? What is meant by that term?

Mr. WOOTTON. Fruit spirits is a neutral spirit. It is an alcohol, only it is made from fruit juices instead of from grain or molasses.

Senator MURDOCK. But you have exactly the same product, do you not?

Mr. WOOTTON. Pretty close to it. There are some minor differences because there is still some shade of flavor left.

Senator MURDOCK. So that fruit spirits, if they are distilled in California, could be substituted for the neutral spirits formerly distilled by the distillers, all of which now is going into industrial alcohol?

Mr. WOOTTON. That is correct. It could be, sir.

Senator MURDOCK. Do you represent, or does your institute represent the four big distillers that went into the grape business in California, or the wine business?

Mr. WOOTTON. The firms in their employment were formerly members of ours, and are still members of ours.

Senator MURDOCK. Still members of your organization?

Mr. WOOTTON. Yes.

Senator MURDOCK. Could the big distillers go into the wine business in California for the purpose of getting the neutral spirits necessary for the blending of the whiskies in storage?

Mr. WOOTTON. It is theoretically possible, but whether it actually happened, I do not know.

Senator MURDOCK. Is not that the very reason that your out-of-State distillers went into the wine business, to substitute the fruit spirits made from grapes in California for the neutral spirits formerly distilled at their own distilleries and which, for the last year or so, have been going into industrial alcohol?

Mr. WOOTTON. It could have been a reason, sir. I do not think there was any substantial amount of it. There was some of it, but which firms are doing it I do not know.

Senator MURDOCK. A substantial amount of your fruit spirits in California?

Mr. WOOTTON. I say I do not think it was in any substantial amount.

Senator MURDOCK. Not in any substantial amount?

Mr. WOOTTON. No.

Senator MURDOCK. Do you know with reference to whether or not the four distilleries that went into the wine business in California, whether any of the distilleries of the companies that they took over were shipped out?

Mr. WOOTTON. It has been some time since I remember the list of persons who supplied the stills.

Senator MURDOCK. Is that information available, that is, the comparison between the number of stills that were shipped from California, from the four distilleries that went in there to produce wine, and the other members of your institute?

Mr. WOOTTON. I could obtain that for you from the west coast, I think; sir.

Senator MURDOCK. It seems to me, Mr. Chairman, that that is a very important piece of information for this committee to have. I do not know what the other members of the committee have gleaned from the evidence this morning, but it seems to me it is a fair deduction to arrive at at this point, that your distilling companies that went into the wine business in California had in mind substituting the fruit spirits of California for the neutral spirits formerly distilled at other distilleries, and it seems to me that that information would have a bearing on that very point. I would like to have it, if that is available.

Mr. WOOTTON. I could get you the information from the west coast, and I will submit it to you. As to what the companies actually

did in the way of making high-proof brandy this year, or what their disposal of it was, I have no knowledge of it; sir.

Senator MURDOCK. While I have already interrupted the attorney, may I ask you this: Is it not true that in the last year or so the alcoholic content of your California wines has very materially increased?

Mr. WOOTTON. No, sir; we are still making the same kind of wines that we always did.

Senator MURDOCK. What?

Mr. WOOTTON. We are still making the same kind of wines that we always did.

Senator MURDOCK. Is it true that the alcoholic content has increased?

Mr. WOOTTON. No, sir.

Senator MURDOCK. That is not true?

Mr. WOOTTON. No, sir.

Senator MURDOCK. Is it not true that your California wines are of a much higher alcoholic content than imported wines?

Mr. WOOTTON. No, sir. In the matter of wines from abroad and American wines, whether made in California or in the east, they have always made two kinds of wines, one being the table wines, that you drink with your meals—

Senator MURDOCK. I did not hear you.

Mr. WOOTTON. One group of wines is the table wines which you drink with your meals and which haven't got much sugar in them, which are the dry wines, and which contain between 12 and 14 percent of alcohol by volume; and the other group of wines which are known as the dessert wines, like port, the sherries and muscatels, which contain between 18 and 20 percent alcohol, and by volume, they are sweet, and the extra alcohol in there acts as a preservative and keeps the sugar that is present in the wine from spoiling it when it is exposed to the air.

Senator MURDOCK. Is that increased alcoholic content the result of adding fruit spirits, or is it done in the fermentation process?

Mr. WOOTTON. It is done during the fermentation process. You allow the fermentation to proceed to a certain point until you have just as much grape sugar left in the juice as you want to have in the final product, and then you add a small quantity of grape spirits in there which stops the fermentation and holds the wine stable, keeps it sweet, keeps it from spoiling.

Senator MURDOCK. Then the additional alcohol which you find in the sweet wines is put in there by adding actual alcohol?

Mr. WOOTTON. By adding grape spirits or grape brandy.

Senator MURDOCK. Do we import any wines of as high alcoholic content at 18?

Mr. WOOTTON. Yes, sir; a good portion of imports have always been. The port from Portugal, which is a wine of the type we are talking about, and sherry from Spain, which is of the same general type except it is not red but white or brownish, that has always had a substantial market.

Senator MURDOCK. That is all.

Mr. MATTICE. The kind of wine that Senator Murdock speaks of is what is known as fortified wine, is it not?

Mr. WOOTTON. That is the technical term in the revenue department.

Mr. MATTICE. Is it true that wines of that variety, sometimes called fortified wines, wines that have a dosage of alcohol, are common to all the wine-producing regions?

Mr. WOOTTON. That is correct.

Mr. MATTICE. I happen to know it is true in the Ohio wine region.

Mr. WOOTTON. It is true of New York State, Ohio, and California.

Mr. MATTICE. It is true of France and Italy.

Mr. WOOTTON. Southern France produces a great deal of that wine.

Mr. MATTICE. You seem to make a division between the two kinds, at least by naming them, one of them a table wine and the other a dessert wine.

Mr. WOOTTON. That is correct.

Mr. MATTICE. I do not happen to be familiar with that, but is that something new?

Mr. WOOTTON. No; that is a fairly old term, particularly abroad. It expresses the general use of the product.

Mr. MATTICE. In other words, the wine containing the lighter alcoholic content, 12 or 13 percent, is known as the table wine and is a dry wine, and the other with an alcoholic content of 18 to 20 percent is known as a dessert wine and is a sweet wine?

Mr. WOOTTON. That is correct.

Senator MURDOCK. I wonder if I could interrupt you again to just ask this question?

Mr. MATTICE. Yes, sir.

Senator MURDOCK. It is prompted by what Senator Ferguson asked. You say they could not pay the high price that they did, that is from \$77 up per ton for grapes and profitably produce wine from it?

Mr. WOOTTON. No, sir.

Senator MURDOCK. But they could pay that price, could they not, for the grapes, make fruit spirits out of them and then use those fruit spirits in the blending of their high-priced whisky?

Mr. WOOTTON. I do not know the relative cost of spirits in whisky, sir. I assume if the ceiling on the whisky is high enough to permit the extra cost, they could do it.

Senator FERGUSON. What will it cost to make neutral spirits out of \$77 a ton for grapes? Have you got the figures?

Mr. WOOTTON. No; I haven't got the figures. I was trying to figure roughly what it would be. I would say it would be somewhere between \$2 and \$2.50 a gallon.

Senator FERGUSON. What is the ceiling on such spirits?

Mr. WOOTTON. The ceiling on the spirits is \$1.10 a proof gallon in the O. P. A. regulation.

Senator MURDOCK. Is what?

Mr. WOOTTON. \$1.10 a proof gallon.

Senator FERGUSON. So you would not be able to make neutral spirits out of \$77 grapes?

Mr. WOOTTON. No.

Senator FERGUSON. What did happen with such a regulation?

Mr. WOOTTON. I do not know.

Senator FERGUSON. What did they do? Just close down the wineries?

Mr. WOOTTON. No.

Senator FERGUSON. Or is there an expectation that they will get more later?

Mr. WOOTTON. The 1943 wine, sir, has not started to move into the market yet, in volume. There may be a small percentage in the blend. What happens, they carry along on their older wines for the time being. What is going to happen when we run into the 1943 crop, we do not know.

Senator FERGUSON. Has this been a scheme to put the small winery out of business, where the large winery could afford to do this and hold the wine, whereas the small one cannot possibly make the wine if he has to sell at a price that he loses money on it?

Mr. WOOTTON. The \$30.30 price is the result of the Emergency Price Control Act, as amended. That is the average price.

Senator FERGUSON. You told us they pay as much as \$77 a ton.

Mr. WOOTTON. Yes.

Senator FERGUSON. How could a small winery pay \$77 a ton and make wine that he had to sell on the basis of paying \$30.30 a ton?

Mr. WOOTTON. Those are average prices. The individual prices vary. Under the O. P. A. price ceilings, the prices that they were selling the product at in March are still good, you see.

Senator FERGUSON. On what basis is that price?

Mr. WOOTTON. Now, if you had a high-quality wine that is getting a good price in March you would get a fairly high price for it still, and you could eventually work those grades into that brand and that price.

Senator FERGUSON. Then you would take from the market all low-priced wines?

Mr. WOOTTON. All low-priced brands.

Senator FERGUSON. That is what the O. P. A. regulation now amounts to by not placing the price on the grapes, is to take the low-priced wines off the market, is that not true?

Mr. WOOTTON. Yes. I think the prices would have actually risen to some extent, anyway, because the prices of grapes have gone up. I mean, they would never have been as low as the low-priced wines in 1942.

Senator FERGUSON. But the O. P. A. by its regulation has permitted a scheme here to get rid of the low-priced wines?

Mr. WOOTTON. I do not think they would regard it that way, but that is what actually happened.

Senator FERGUSON. Well, it actually happened?

Mr. WOOTTON. Yes.

Senator MURDOCK. Are you through now?

Senator FERGUSON. Yes.

Senator MURDOCK. Mr. Chairman, may I ask a couple of questions?

The CHAIRMAN. Yes.

Senator MURDOCK. You say they could not buy the high-priced grapes for the purpose of making fruit spirits, depending on the ceiling price of \$1.10?

Mr. WOOTTON. Yes.

Senator MURDOCK. But if the fruit spirits—which is the same, according to your testimony, as neutral spirits—were to be used in the blending of high-priced whisky, then they could very well afford, could they not, to pay the high price for the grapes?

Mr. WOOTTON. That is the correct situation; yes, sir.

Senator MURDOCK. And still make a profit out of it?

Mr. WOOTTON. That could be done. To what extent it happened, I do not know, sir.

Senator MURDOCK. You do not know that it was not done, do you?

Mr. WOOTTON. No.

Senator MURDOCK. Now, if the four big distilling companies were going into the wine business in California, as they did, and also being in the business of blending whisky, it would be very advantageous to them, would it not, to buy the grapes out there at a higher price than your wineries could pay for them, for the purpose of making fruit spirits as a substitute for the neutral spirits formerly made from grape?

Mr. WOOTTON. It could be possible, sir. I do not think, if I may say so, I do not think the winery firms, these wineries you are talking about that have been acquired, that are still under the same management as formerly, I do not think, being wine men that they did deliberately go out on a scheme like that. What actually happened, I do not know.

Senator MURDOCK. You do not think they did?

Mr. WOOTTON. No, sir.

Senator MURDOCK. You are just talking about the people who are in the wine business. You are just guessing at that, are you not?

Mr. WOOTTON. Yes, surely.

Senator MURDOCK. You do not know anything about the men in the distilling business?

Mr. WOOTTON. No, sir; I do not.

Senator MURDOCK. You would not think that they would be above that, would you?

Mr. WOOTTON. I could not express an opinion on that, sir.

Senator MURDOCK. Well, you seemed to be very sure about the wine people. Now, these wine people that were taken over by the distilling companies, they are no longer running the business, they no longer have control of it.

Mr. WOOTTON. They are under management contracts.

Senator MURDOCK. But the distilling people are the owners.

Mr. WOOTTON. Are the owners.

Senator MURDOCK. They are in control, are they not?

Mr. WOOTTON. Yes.

Senator MURDOCK. Now, if they could do what you suggested, buy the grapes at the price of \$77 a ton and still make a profit out of it by using the fruit spirits produced therefrom for the blending of whisky, they would have a tremendous advantage, would they not, over the winery that was not in that business?

Mr. WOOTTON. If they did. It is easy enough to find out if they did.

Senator MURDOCK. Assuming they do as I suggested, that is, use the wine spirits for the purpose of blending whisky, they would have a tremendous advantage in the price they could pay for grapes over the winery that produces exclusively nothing but wine, is that not right?

Mr. WOOTTON. Yes, sir; and that did not have that high-priced brand that we are talking about.

Senator MURDOCK. So it would not be an unreasonable conclusion to come to, would it, that the distilling companies might have had that sort of thing in mind when they moved into the wine business?

Mr. WOOTTON. I would not know what the facts are.

Senator MURDOCK. I say that would not be unreasonable, would it, to come to that conclusion, if those were the facts?

Mr. WOOTTON. That is something you can investigate.

Senator MURDOCK. I would like to say this: If the witness has any facts that will either support or contradict this theory that I have developed, I would like to have him submit it.

Mr. WOOTTON. I have no facts one way or the other. That is an internal-management problem that I would not know about.

The CHAIRMAN. You represent the Wine Institute?

Mr. WOOTTON. That is correct, sir.

The CHAIRMAN. What is the Wine Institute? Is it a corporation, a partnership, or what is it?

Mr. WOOTTON. The Wine Institute is a nonprofit service corporation in California which serves as a trade association.

The CHAIRMAN. Which does what?

Mr. WOOTTON. Serves as a trade association for the majority of the California wineries.

The CHAIRMAN. It is your business to look after the best interests of the vintners in California?

Mr. WOOTTON. As a group, sir; yes, sir.

The CHAIRMAN. How long have you been doing that?

Mr. WOOTTON. A little over 2 years.

The CHAIRMAN. How long have you been in Washington?

Mr. WOOTTON. About 9 years, sir.

The CHAIRMAN. Your functions are what here for the Wine Institute?

Mr. WOOTTON. Mostly contacts with the Government departments, sir.

The CHAIRMAN. You contact the departments?

Mr. WOOTTON. Government departments in connection with the regulations, furnishing the Government information, securing it from San Francisco, and that sort of thing.

The CHAIRMAN. Have you got a list of your membership?

Mr. WOOTTON. I have a list as of October 1943, in the office.

The CHAIRMAN. Have you got it with you?

Mr. WOOTTON. I haven't got it with me.

The CHAIRMAN. Will you produce that for the reporter?

Mr. WOOTTON. Yes; I will furnish that to him when I get it.

The CHAIRMAN. Do you have a board of directors?

Mr. WOOTTON. Yes, sir.

The CHAIRMAN. How many?

Mr. WOOTTON. Six.

The CHAIRMAN. May I see that list you have there?

Mr. WOOTTON. Yes, sir. These are the elections as reported at the annual meeting in March 1943. That is our fiscal year, from March to March.

The CHAIRMAN. They are the directors today?

Mr. WOOTTON. I believe that they are.

The CHAIRMAN. Who is Herman L. Wente, Livermore, president?

Mr. WOOTTON. Mr. Wente and his brother run the Wente Winery in Livermore Valley. I do not know what their storage capacity is. It is probably somewhat less than a million gallons. They produce a fancy white table wine.

The CHAIRMAN. Who is J. B. Cella, Fresno, first vice-president?

Mr. WOOTTON. J. B. Cella is the former president of the Roma Wine Co., and is now its operating head. I presume he is still president, although I do not know what his exact office is.

The CHAIRMAN. He represents Schenley, doesn't he?

Mr. WOOTTON. He represents Schenley; yes, sir.

The CHAIRMAN. He owned this thing and Schenley kept him on as a window dresser representing Schenley, isn't that true?

Mr. WOOTTON. I do not know what the terms of the contract of sale were.

The CHAIRMAN. I don't care anything about the terms of the contract.

Mr. WOOTTON. I could not say anything about that, sir.

The CHAIRMAN. He was an officer or part owner of the Roma Wine Co., which is one of the biggest wine companies in the United States?

Mr. WOOTTON. That is right, sir.

The CHAIRMAN. And Schenley kept him on in that capacity and he is now vice president?

Mr. WOOTTON. I do not know what is his exact office.

The CHAIRMAN. He is the vice president of your board here.

Mr. WOOTTON. Of our board, yes; I am sorry.

Mr. MATTICE. He is also a director and an officer in Schenley.

The CHAIRMAN. He is also a director in Schenley?

Mr. WOOTTON. I do not know what his relations with the Schenley corporation are.

The CHAIRMAN. Is it not your business, representing these fine old family owned individual wineries in California, to look after their interests as well as Schenley's interest and some of the big fellows?

Mr. WOOTTON. Yes, sir.

The CHAIRMAN. What examination have you made along that line?

Mr. WOOTTON. In what respect?

The CHAIRMAN. As to whom Cella represents.

Mr. WOOTTON. I know he is in Roma, sir, and first vice president of the board of the Wine Institute.

The CHAIRMAN. How long has he been vice president?

Mr. WOOTTON. For years.

The CHAIRMAN. Was he vice president before he sold out to Schenley?

Mr. WOOTTON. Yes, sir. He has always been on the board of directors.

The CHAIRMAN. Who is John B. Ellena, second vice president?

Mr. WOOTTON. John B. Ellena and his brother run the Ellena Winery.

The CHAIRMAN. Has that been taken over by any of the four distilleries mentioned here?

Mr. WOOTTON. No, sir.

The CHAIRMAN. Who is Edmund A. Rossi, third vice president?

Mr. WOOTTON. Mr. Rossi and his brother manage the Italian Swiss Colony, and that is owned by the National now.

The CHAIRMAN. So National has a representative on the board in the form of Mr. Rossi, is that right?

Mr. WOOTTON. Either one of the Rossis has always been on the board of directors for some years. Mr. Rossi has been on the board of directors for quite a number of years, sir, either a director on the board of the winery or on the board of the institute.

The CHAIRMAN. And the winery is now owned by what big distillery?

Mr. WOOTTON. The National Distilleries.

The CHAIRMAN. So National has a representative on your board?

Mr. WOOTTON. That is correct, sir.

The CHAIRMAN. Who is Louis Petri, treasurer?

Mr. WOOTTON. He is vice president of the Petri Wine Co., sir.

The CHAIRMAN. What is the Petri Wine Co.?

Mr. WOOTTON. The Petri Wine Co. is a fairly large winery. It has been in the Petri family for quite a number of years.

The CHAIRMAN. Has that been gobbled up by any of the big four?

Mr. WOOTTON. No, sir; it has not.

The CHAIRMAN. Who is H. A. Caddow, secretary-manager?

Mr. WOOTTON. He is the head of the management of the Wine Institute.

The CHAIRMAN. Head of the what?

Mr. WOOTTON. Head of the management of the Wine Institute. He is not the head of the Wine Institute, he is the secretary-manager.

The CHAIRMAN. Of the Wine Institute?

Mr. WOOTTON. That is right. You might call him an executive secretary.

The CHAIRMAN. He does not own any vineyards?

Mr. WOOTTON. No, sir.

The CHAIRMAN. Who is A. R. Morrow, San Francisco, chairman of board of directors?

Mr. WOOTTON. Mr. Morrow is from Fruit Industries, Ltd., which is a farm cooperative arrangement, one of the largest ones.

The CHAIRMAN. Then you have a bunch of directors at large, is that right?

Mr. WOOTTON. Yes, sir.

The CHAIRMAN. How many of the big four distilleries are represented on this board of directors at large?

Mr. WOOTTON. If you can pass the list back to me I will try to mark their connections. There are three, Mr. Chairman, there are three members of the board of directors from companies that have been acquired by the distilleries: J. B. Cella of the Roma Wine Co., Lee Jones of Showan-Jones, Inc., which is a small winery that National acquired, and Edmund A. Rossi of the Italian Swiss Colony.

The CHAIRMAN. Three out of six?

Mr. WOOTTON. This is on the entire board of directors, sir.

The CHAIRMAN. Go ahead.

Mr. WOOTTON. There are 2 out of 6 on the board and 3 out of it seems to me, 20 or more of the directors at large.

The CHAIRMAN. Do you meet with the Liquor Institute here in Washington?

Mr. WOOTTON. No, sir.

The CHAIRMAN. Do you have any connections, directly or indirectly, with them?

Mr. WOOTTON. No, sir.

The CHAIRMAN. About prices, or anything?

Mr. WOOTTON. No, sir.

The CHAIRMAN. You know about the tie-in sales that have become popular in the country, the tie-in sales of wine and whisky?

Mr. WOOTTON. I have heard it said.

The CHAIRMAN. You have heard it said. The papers have run great columns on it—and you know it is true, don't you?

Mr. WOOTTON. I do not know it is true.

The CHAIRMAN. What investigation have you made to find out whether it is true or not?

Mr. WOOTTON. I have made no investigation to find out whether it is true or not.

The CHAIRMAN. You represent all the wineries in California that are members of your institute?

Mr. WOOTTON. Those are merchandising sales, sir, they are on the retail level.

The CHAIRMAN. In the committee files we have letters from little independent growers of grapes and vintners out there objecting to this commercializing of the four big distilleries in the wine industry.

Mr. WOOTTON. Yes.

The CHAIRMAN. You have heard about that?

Mr. WOOTTON. Yes.

The CHAIRMAN. If you haven't, take a day off and read our files and you will get plenty of information. What have you done about that?

Mr. WOOTTON. About what the distilleries have been doing in the industry?

The CHAIRMAN. Yes.

Mr. WOOTTON. As far as I know, as far as I have been told, there has not been any noticeable effect this last calendar year from their entry into the wine industry, as far as production and sales are concerned.

The CHAIRMAN. If you don't know it, let me tell you some of the things—and I don't know anything about California wine—that you will find in our files. You will find 150 letters in our files from workingmen, from residents of California, who have used table wine like the French do, with their meals, and the prices have more than doubled since these four distilleries have gotten into the field out there. Do you know anything about that?

Mr. WOOTTON. The grape prices have been going up and the wine prices have been going up with them.

The CHAIRMAN. Do you know anything about the complaint of the people you are supposed to represent, about the fact of commercializing the wine business like the liquor is being commercialized?

Mr. WOOTTON. I have heard of complaints; yes.

The CHAIRMAN. Did not you get complaints from your own members along that line?

Mr. WOOTTON. My members are out in California, sir; and I do not get to hear from them.

The CHAIRMAN. What percent of your time do you give to the interests of your membership? Are you a 365-day all-around-the-clock man for them, or do you just give part of your time?

Mr. WOOTTON. Yes, sir.

The CHAIRMAN. All the time?

Mr. WOOTTON. That is right.

The CHAIRMAN. And you have not investigated the tie-in sales of whisky and wine?

Mr. WOOTTON. No, sir.

The CHAIRMAN. You could not very well with the membership of your board, could you?

Mr. WOOTTON. That has nothing to do with it, sir.

The CHAIRMAN. Well, I think it does. It is a matter of opinion.

Am I wrong about it, that there are two and three generations of families out there that had made wine, that were very happy in their

business, that kept their prices low, with a fine quality of wine, and it is a traditional pride with them in making their product out there?

Mr. WOOTTON. Yes; that is quite true.

The CHAIRMAN. What is the effect of the entrance of the four big distilleries into the wine business in California on that phase of the business?

Mr. WOOTTON. So far as I know, the wineries you are talking about have not been affected because their products move in different price fields and different grades.

The CHAIRMAN. You came to my office with three or four associates not long ago to talk over this business, did you not?

Mr. WOOTTON. Yes.

The CHAIRMAN. They were all from California, were they not?

Mr. WOOTTON. Yes; that is correct.

The CHAIRMAN. Did not they tell you about what is going on out there?

Mr. WOOTTON. Yes, sure; they tell me some things and other people tell me other things.

The CHAIRMAN. And you do not think the entrance of Seagram, National, Hiram Walker, and Schenley into the wine business in California has changed conditions at all? Is that your position?

Mr. WOOTTON. I said on production and sales, sir.

The CHAIRMAN. On what?

Mr. WOOTTON. On relative production between firms, and that sort of thing, and on sales, movement of wine out of the State. So far as I know, there has been no change this year. There may be later.

The CHAIRMAN. Have you got that long, informative letter from some organization in California?

Mr. MATTICE. Yes, sir.

The CHAIRMAN. At this point I want it inserted and reproduced in the record, and I would advise you to read it, Mr. Wootton. Can you tell what it is, briefly?

Mr. MATTICE. This is a letter from the Muscat Grape Growers' Committee, Fresno, Calif., dated November 19, 1943, addressed to Senator Van Nuys and signed by the Muscat Grape Growers' committee, H. A. Savage, secretary. It is a very interesting letter.

The CHAIRMAN. Read the letter right into the record. Give the witness a chance to deny it, if he can.

Mr. MATTICE (reading):

MUSCAT GRAPE GROWERS' COMMITTEE,
Fresno, Calif., November 19, 1943.

HON. FREDERICK VAN NUYS,
United States Senator,
Washington, D. C.

DEAR SENATOR: I am writing you as secretary of the Muscat Grape Growers' Committee of California regarding your investigation of the distillery interests and their activities in connection with the California wineries and their attitude toward some 15,000 California grape growers. With many years of representation of grape growers, including three years as chairman of the State-wide Committee of Grape Growers of California, I am taking the liberty of writing you to impress upon you the absolute necessity of stopping the whisky octopus before its tentacles control and strangle the grape growers of California.

We growers have believed for a long time that these whisky interests, led by Schenley Distilleries, Inc., and National Distillers, have had an uncanny and unbelievable, as well as unseen, power over War Food Administration and Office of Price Administration, and their hand is shown throughout the entire 1943 grape program, all phases of which, from its beginning, I have been familiar with, and have had considerable part in trying to get a program that was fair and equitable,

I know others have given you his story more completely than I will now, except to tell you that when these distillery interests got through with the job, they had the ceiling placed on juice grapes at \$0.39 per ton in California and a ceiling placed on raisin grapes at approximately \$37.50 per ton. The price of their wines and brandy justified a price to the growers of over \$100 a ton.

In addition to this, we growers believe they had some real hand in seeing that the crop insurance promised the raisin growers was never forthcoming during the raisin harvest period, and then only indifferently. It is my firm belief, and I would be pleased to furnish interesting additional data should you request it, that the reason why we had no raisin insurance for grapes on the trays is that certain large distillery interests insisted they be given a monopoly on damaged raisins, and that such damaged raisins be not distributed on a basis of past performance among the California wineries.

We are all firmly convinced that the distillery interests thought they had the 1943 juice grapes deal summed up in a bag at \$30.00 per ton, using the Government agencies to carry out their wish, but various interests in the east, who could not procure any liquors from the big distilleries and realized their wine business would be ruined, gave money to the smaller California wineries to buy grapes and manufacture them into wine and brandy for a percentage of the wine and brandy. The result has been that juice grapes have ranged from \$75 to \$105 per ton, the average being approximately \$90 per ton.

Schenley Distilleries, Inc., were so powerful in Washington that, despite the order of War Food Administration that all raisin varieties be dried, they procured a release of certain muscat grapes so that they could make wine out of them. This could not have been done locally, because there is too strong a feeling; and when it was discovered that they had done this through Washington, such a howl of protest arose, not only from the growers, but from Malcolm Watson, Watson, the War Food Administration Administrator of the 1943 raisin program at Fresno, that he went to San Francisco and finally succeeded in having the Washington release canceled. There can be no other possible explanation of the manipulations and methods in the grape industry, except that the distillers and the big packers have an undue and unseen influence with Office of Price Administration and War Food Administration.

I am enclosing herewith a brief, which I, as attorney and executive secretary of Muscat Grape Growers' Committee, wrote, which shows you what a Washington outfit will do to grape growers, regardless of justice and regardless of their own fault. I am not interested in causing trouble or of accusing people of undue influence with Government officials for an idle purpose, but I want to assure you that there are some 15,000 grape growers in California who are so bitter and critical of the New Deal injustices arising out of the influence of the distillery interests and the packers' interest, that you will find a most fertile field if you desire to secure additional information.

It is going to be most difficult to get the cooperation of these growers, whose confidence has been abused as shown by the enclosed brief, in a food program for next year. My main object in sending this letter to you and this information is that it may help, by way of stimulation of your interest, in exposing and breaking up the distillers' control of the California grape and wine industry. It is generally believed around here that these distillers tried to use governmental agencies to get control of the juice grapes for less than one-third of their value by reasons of a Government control and ceiling, and also to interfere with the drying of raisin varieties so that they would get them released so they could make them into wine and distilled spirits, and mix these spirits in the form of grape brandy with their whiskeys and other distilled liquors.

All power to you and the other men of the United States Senate and Congress who are willing, regardless of the political results, to expose the under-cover operations of the distilleries, and especially their influence on governmental agencies in time of war. Senator Downey is very familiar with the situation in California and can give you additional information.

Because I speak so firmly and boldly, I do not want you to consider me as a radical, because I am not. It has been my pleasure to be a classmate of Senator Robert Taft and Joseph H. Benson, president of the American Bar Association, but I do love this country. I have three sons in actual combat in the Navy and Army, and I want to win the war more than anything else in the world. I want to preserve freedom of individual opportunity in this country and our constitutional way of doing things, and in your attack on the Distillery Trust you have

our heartiest congratulations and appreciation in your effort to preserve individual rights and American institutions.

Sincerely yours,

MUSCAT GRAPE GROWERS' COMMITTEE,
By H. A. SAVAGE, Secretary

The CHAIRMAN. With the consent of the committee, we will have his brief also printed at this point.

(The brief referred to is as follows:)

BRIEF SUSTAINING CONTENTION OF MUSCAT GROWERS FOR PARTIAL COMPENSATION FOR THEIR LOSSES OUT OF WAR FOOD ADMINISTRATION PROFITS FROM SALES TO WINERIES

FRESNO, CALIF., October 22, 1943.

COMMODITY CREDIT CORPORATION,

Washington, D. C.

(Attention: Mr. J. B. Hutson, President.)

GENTLEMEN: There will soon be coming up for your decision the question of the disposition of the profit made by Raisin Producers' Association, a subsidiary of Commodity Credit Corporation, from the sale of muscat grapes to the wineries at a price of \$3.25 per sugar point, or from \$75 to \$90 per ton, for which grapes you are paying the farmer \$35.50 roadside.

As secretary and attorney of the Muscat Grape Growers' Committee, being comprised of muscat grape growers who were unable to harvest seasonably their muscat grapes, due to their inability to secure the necessary wooden trays, as promised by War Food Administration, and the necessary dehydrating facilities and boxes, the muscat grape growers contend that they are entitled to have such portion of this profit from sale of muscat grapes to the wineries paid to them as will equalize their loss, due solely to failure of the Government to furnish the admittedly necessary wooden trays, dehydrating facilities, and boxes seasonably; and in support of this position we submit the following facts:

At the request of the United States Department of Agriculture War Board, at the head of which is David Davidson, the University of California College of Agriculture, agricultural experiment station, under date of December 24, 1942, issued the most recent informative complete and reliable report with reference to what was necessary to produce the maximum amount of raisins from raisin grapes in California for the year 1943. This report, it is believed, was the basis of the California United States Department of Agriculture War Board's recommendation regarding a raisin conservation program for 1943 under date of December 16, 1942, which recommendation is in your files or available to you. We quote from this report, page 3, paragraph 3:

"Of the State total of raisin grapes not dried in 1942, the large majority of about 246,000 tons originated in the San Joaquin Valley. It is estimated that about 196,000 tons of the raisin grapes not dried in that valley in 1942 were dry-able and only about 50,000 were not dryable. Almost all of the 85,000 tons of dryable muscats not dried in 1942 were exempted by the county United States Department of Agriculture war boards on the grounds that wooden trays were not available and it was impossible or not feasible to dry on paper trays."

Quoting from page 4, paragraph 1:

"Of the not dryable 50,000 tons of raisin grapes in the San Joaquin Valley about half were muscats and the other half seedless. They were exempted chiefly because they did not mature soon enough to make a satisfactory quality of raisin or because conditions would not permit of satisfactory drying even with proper drying facilities. Even with adequate drying facilities approximately the same tonnage of raisin grapes would probably have had to be exempted as not dryable in 1942 and would also have to be exempted in 1943 for the basic reasons of unfitness for making raisins because of growing conditions largely beyond the control of the grower or because it would be impossible or economically impracticable and inexpedient to dry some grapes even though drying facilities were available. In sections 2 and 3 of table A it has been assumed as probable that about the same tonnage would not be dryable from an average crop in the future."

Quoting from page 4, paragraphs 3 and 4:

"From the experience of 1942, previously discussed, it appears that, as shown in section 2, from an average State crop of raisin grapes, the quantity not dryable would consist of about 40,000 tons produced in counties outside of the San Joaquin Valley (column 8) and, within the valley itself, an additional tonnage, not adapted to drying of perhaps 20,000 tons (column 7), even with optimum physical and economic conditions favoring maximum drying, including prompt action by the

Federal Government to assure prices quite favorable to raisin making, insurance against weather damage in drying, and provision of adequate labor and equipment for sun drying and for artificial dehydration. It seems safe to say that under such conditions most favorable to drying, as assumed in section 2 of table A about 90,000 tons of raisin grapes would not be dried in the State, and, of a crop of 1,420,000 tons of raisin grapes, about 1,330,000 tons would be dried, or not less than 330,000 tons of raisins (at a 4 to 1 drying ratio).

"However, one of the assumed conditions favorable to maximum output of dried raisins is an adequate supply of new wooden trays in muscat drying areas and of dehydrating facilities in the northern part of the San Joaquin Valley. If new wooden trays were not made available on the basis of a reasonable rental, it is likely, as shown in section 3 of table A that at least 50,000 tons of dryable muscat grapes would not be dried (column 6). Without additional dehydrating facilities it is likely that at least 20,000 fresh tons of dryable Thompson seedless grapes could not be made into golden bleached raisins in the northern part of the San Joaquin Valley. Lack of necessary additional drying facilities would, therefore, probably result in a total tonnage of all raisin varieties not dried of approximately 170,000 tons (column 3) of which about 80,000 fresh tons might otherwise have been dried (column 6)."

Quoting from page 12, paragraph 4:

"OPTIMUM USE OF DEHYDRATORS

"To dry the maximum tonnage of raisins in 1943 the optimum use of dehydrator facilities should be arranged for and the construction of any needed additional artificial dehydrating facilities should be authorized at an early date and the necessary materials secured for this purpose. The question of how much dehydrator capacity is needed in 1943 depends not only on what tonnage of raisins the Government wants that cannot be sun-dried, but also on the extent to which dehydrators in the raisin-producing areas may be assigned priority for drying other products, such as vegetables, during the raisin-drying season. A few dehydrators formerly used for making raisins are reported to have been used for drying vegetables in 1942."

Quoting from page 14, paragraph 4:

"More trays and favorable price differential needed.—If the Government wants to increase the muscat raisin output in 1943 over 1942 it will be faced with the probability of higher costs of production on the part of growers and higher prices for two reasons. The price of muscat raisins should be set above the equivalent returns to growers for fresh muscat sales for shipping and winery use. Fresh outlets returned growers several dollars more per fresh ton for muscat grapes than the muscat raisins in 1942. If prices for dried muscats are to be more attractive than for fresh outlets in 1943 raisin prices will have to be considerably higher, and/or prices for fresh shipment and winery considerably lower, than they were in 1942."

Quoting from page 14, paragraph 5:

"With a normal muscat crop in the San Joaquin Valley, about as large as the 1942 crop, probably 50,000 to 55,000 tons of dried muscats could be produced in 1943 if a sufficient price stimulus and adequate drying facilities were provided and weather conditions proved favorable to sun-drying. If the Government wants to produce about 20,000 tons of muscat raisins over the 1942 output and new trays and sweat boxes would have to be provided for most, if not all, of this increase. If muscat-raisin prices are fixed enough higher than for fresh shipping and winery outlets in 1943 and announcement of these price differentials favorable to drying are made in December 1942, growers would probably be encouraged to hold and repair the old wooden trays they used in 1942. They might even renovate some trays that were not used in 1942 and try drying some muscats on paper trays, particularly if adequate insurance against rain damage were also provided. However, if muscat growers anticipate that lack of wooden trays will continue to exempt them from drying muscats in 1943 and they have no assurance that raisin prices will be as satisfactory as for fresh shipping and winery muscats, they may dispose of many of their wooden trays in one way or another this winter, thereby reducing the capacity to dry muscat raisins in 1943."

Quoting from page 15, paragraph 2:

"Cost of new wooden trays.—If the Government wishes to have practically all of the dryable muscat grapes in the San Joaquin Valley dried, a large number of new wooden trays and sweat boxes will be necessary since paper trays are not practicable for drying most muscats. The cost of this new equipment would be so great that growers cannot be expected to acquire it unless compensated therefor. Moreover they would have to be allowed critical war materials with which to

build new trays and boxes. Probably the best method of making such new equipment available to growers would be for the Government to arrange to have it built and to provide it on a reasonable rental basis. Compensation through a price increase for muscat raisins would be more costly than this method unless, perhaps, such a price increase were given only to the tonnage for which new trays had to be provided by growers.

Quoting page 16, paragraph 5:

"INSURANCE AGAINST RAIN DAMAGE

"Recommendations have been made by nearly every county United States Department of Agriculture war board that provision be made for adequate insurance against the hazards of weather damage involved in drying raisins. In all areas of the San Joaquin Valley there are late-maturing lots of raisin grapes in excess of the capacity of dehydrators to handle. Because of the hazards of late drying these lots cannot fairly be required to be underwritten by insurance against weather damage or loss is made available. Allocation by county war boards of certain crops to dehydrators can be undertaken with more assurance if such insurance is available to those crops which are displaced from dehydrators."

The Fresno United States Department of Agriculture War Board, under date of September 16, 1942, issued the following statement:

"Certain varieties of grapes, namely muscat of Alexandria and sultana, because of late maturity and other factors, must be dried on wooden trays; and muscat grapes should have available emergency driers and other equipment to salvage the crop in case of unfavorable weather. Owing to the constant possibility of early rains, all varieties face additional crop risk when dried, particularly when labor is not plentiful to quickly harvest and quickly handle the crop in an emergency. Those who by chance or foresight have remaining equipment, and, because of this circumstance, are required to dry, are thus subject to this added crop hazard."

All the above findings are from disinterested, thoroughly competent sources, and these findings are in accordance with the facts. It is only fair to assume that the War Food Administration recognized these facts and recognized that many muscat grapes would have to be dried on wooden trays, which would have to be furnished by the Government if the Government required raisins be made of all these muscats in the muscat-raisin belt.

The War Food Administration officially recognized this situation, and under date of April 6, 1943, released, through Merritt A. Clevenger, Pacific slope regional chief of Farm Production, Department of Agriculture, the order of the War Food Administration requesting all raisin-variety grapes to be dried in the eight counties comprising the raisin belt in California. As a part of the written announcement, which had personally been approved by Chester Davis, then War Food Administration Administrator, the following was released:

"In aiding growers to increase raisin production, the Administration has announced it will develop an assistance program in consultation with the industry. This program will include provision for the necessary picking boxes, drying trays, dehydration facilities, prices which will be paid producers, and protection against loss after the grapes are placed on trays."

Mr. Clevenger, at this meeting, stated that as part of the maximum raisin production program that the Department of Agriculture had a "bank of materials and was assured of the necessary materials to make available wooden trays, boxes, and adequate dehydrator facilities." This meeting was attended by hundreds of growers and this statement was broadcast over all radio stations in the raisin belt and printed in the newspapers.

Following this announcement Mr. Malcolm Watson was placed in charge of the raisin program at Fresno, and the Raisin Producers' Association, an incorporated subsidiary, was set up to implement the raisin program for 1943. After further check and study it was determined that, depending upon the size of the crop, a maximum of 10,000,000 additional wooden trays would be required to dry the muscat grapes, which could not be dried on paper trays; that 200 tunnels for dehydrating muscats and other grapes, which could not be dried even on wooden trays, should be installed, and that probably 2,000,000 boxes would be required to carry out this program. No announcement was made to the public of any different program.

We sincerely believe that the muscat grape growers of California believed, as they had a right to do, that the Government was going to make available for them adequate wooden trays, adequate dehydrating facilities and adequate boxes for picking fresh muscats and adequate boxes for containers of raisins made by dehydrators from muscats.

The Government, instead of procuring the necessary 10,000,000 wooden trays, procured less than 3,000,000, or about 30 percent of what was recognized as necessary. The Government secured priorities for and built the necessary dehydrators, but many of these were not finished by the 15th of August to the 1st of September, as planned, many of the dehydrators going into full production after the 1st of October, and then greatly handicapped because there were totally inadequate supplies of picking boxes and boxes for the finished raisins from dehydrators. The result has been that many muscat growers, who were unable to get wooden trays, as promised, and who were granted releases to dehydrators, were unable to find any dehydrator for many weeks after they had secured their permit who could take any of their grapes, as most dehydrators were, at the request of the Government, operating on Thompson Seedless only and allowing the muscats to wait until the Thompsons were out of the way. The normal drying season of muscats is from September 1 to September 15, in which season the muscats are dried. So desperate was the condition of many muscat grape growers that, even though the Government had not issued any crop insurance formally as promised, they put their grapes on paper trays as late as the last of September and the first week in October.

It is to be remembered that since 1933 that practically all of the late ripening muscats went directly into wineries, or were shipped east as juice and table grapes. In 1941 of the 250,000 tons of muscat grapes produced, only 48,000 tons were dried, or less than one-fifth. (See table 2 of above quoted bulletin.) In 1942, the first year the Government ordered all raisin variety grapes dried, out of 250,000 tons produced, 122,000 tons were not dried, but were released by the county United States Department of Agriculture War Boards because of the impossibility or economic impracticability of drying them.

Most of the muscat growers, whose grapes were late in ripening, or the conditions under which they were raised made it economically impractical to attempt to make raisins, had few or no facilities for drying. Many of these growers had no wooden trays and many growers who had some, had trays which had not been used for years and were decayed and worthless.

Cultural practices for making raisins in the Raisin Belt are different than if these grapes are going to be shipped late to the wineries. Standard practices require, upon irrigated land, that if raisins are going to be made, the water be taken off the muscats in July or early in August, and this was done for the most part. There then followed 6 weeks of very hot dry weather clear up to the 1st of October, and these muscat grapes, due to the fact that no wooden trays were available, commenced drying out on the vines, commonly called raisining, and in many vineyards the loss of weight already, as of date herof, had reached as high as one-fourth to one-third from the normal weight at crop harvesting time for raisins.

Sugar does not evaporate from the grapes, so that from 25 to 35 percent more raisins per pound can be made from these raisined grapes than from grapes in their normal condition for dehydration. The Government either adopted or just assumed a 4 to 1 ratio, that is, 4 pounds of fresh grapes put through the dehydrators would make 1 pound of raisins. No control was retained by the few dehydrators in operations over the price which the dehydrators should pay muscat grape growers who were caught in this unexpected pinch and the sugar contors paid \$37.50 delivered, or \$35.50 roadside for muscat grapes, regardless of their loss in moisture and regardless of the fact that these grapes would make at least 1 ton of raisins for 3 tons of fresh grapes, or a 3 to 1 ratio.

So bad had many crops of muscats dried out and raisined on the vines that the Government has been obliged to release these crops to the wineries, because they are not suitable even for dehydration purposes. The Government secures for these muscats from the wineries \$3.25 for each sugar point or percentage of sugar. At the date of writing this brief, the average muscat crop will show a sugar content of from 25 to 28 percent so that the average price received by the Government will be from \$80 to \$90 a ton, leaving a net profit per ton of from \$44.50 to \$54.50.

The muscat grape growers who were not able to dry their grapes, solely due to the fact that the Government did not supply the necessary wooden trays and did not supply in the proper season adequate dehydrating facilities and adequate boxes, should not be forced to take all of this loss. In the case of dehydrators the Government gets just as many raisins as if the grapes had not, raisined, and in sale to the wineries the Government gets a premium for the highly raisined, high-sugar-content muscats.

There has been, and very properly so, a feeling on the part of the Government and among the raisin growers that some growers of muscats chose not to make raisins, but to hold their grapes, hoping that they would get a release, as they did

last year, so that they would get the high prices the wineries paid or the higher price for table or juice grapes shipped fresh to the eastern markets. As to the raisin grower who did not cooperate at all with the Government and who had facilities to dry his muscat grapes and did not, we hold no brief, but definitely condemn such action as patriotic. Just as to the muscat grower who trusted his Government and relied on his Government's promises to furnish adequate wooden trays, and was not given the necessary wooden trays to dry his grapes, and has not had, available dehydrators to take his grapes seasonably at the times when they should have gone to the dehydrators, and this grower has suffered a loss of weight due to loss of moisture, no greater injustice could be done than to seek to punish such grower by making him take a loss of 25 or 35 percent of his crop when he has done everything that any reasonable man could be expected to do in an effort to comply with the raisin program, including having faith in his Government and its promises.

In wartime it is more essential than ever that justice be done to those farmers to whom the Nation must look for its food supply, and since we are only asking that those growers, who have cooperated with the raisin program and who have been prevented from drying their grapes and taken this loss solely by reason of the failure of the Government to furnish the wooden trays necessary to dry these grapes or the dehydrating facilities and boxes necessary to dry these grapes, be compensated from the profit the Government is making out of these conditions, we submit that their claim is just.

The Government gets \$3.25 for each sugar point of the grapes delivered to the wineries. Assuming that a premium should be placed on diligence and an advantage given to growers who sun-dry their grapes, and assuming that they should be punished moderately for believing their Government's promises, we submit that they are punished enough, if they are paid what we are asking, and that is \$2 for each point of sugar above the standard sugar content for muscat raisins placed on trays this year of 22 percent.

There is attached hereto as exhibit A a copy of a telegram dated October 9, 1943, to Marvin Jones, War Food Administration; also a copy of the petition of the Muscat Grape Growers' Committee to War Food Administration, Fresno, as exhibit B, under date of October 11, 1943; and there is attached hereto as exhibit C the petition of Muscat Grape Growers to War Food Administration and Raisin Coordinators Committee under date of October 18, 1943.

It is to be remembered that the Government is releasing no muscat grapes to wineries, except those which are not suitable for drying in dehydrators, and the justification for such release is that they have so badly raisined that they are no longer suitable for dehydration, or, in some cases have become infested with vine leafhopper or mold has set in.

There are comparatively few growers who have suffered a substantial loss, through no fault of their own, as compared to the total of approximately 12,000 raisin growers in California, but the fact that their number is small is no justification for causing them to suffer so severe a loss occasioned wholly by reason of the Government order requiring them to dry these muscat grapes, which had not been dried for many years, and which grapes could have been dried this year, without substantial loss, had the Government furnished wooden trays, dehydrating facilities, and boxes seasonably. In all cases these growers have filled all the wooden trays available and have put muscat grapes on trays up to the time when War Food Administration advised against drying, and have done everything that they could do, but they still have suffered this loss.

We have called your attention to the fact that War Food Administration promised crop insurance and a timely announcement of the means of implementation of the drying order to dry all raisin grapes. Repeatedly the growers, some in person, some through their committees, especially through the State-wide Committee of Grape Growers of California, urged and insisted that the Government make an announcement of its crop insurance to the growers prior to harvest time. Such crop insurance has just been announced this 22nd day of October 1943, and in such indefinite language that few, if any, growers understand just what it means.

The Muscat Grape Growers' Committee is taking from each grower an affidavit in writing setting forth just what the conditions are under which he has suffered this loss, and as a sample of these statements there is attached hereto the affidavit of two representative muscat growers as exhibits D and E. It has been suggested that the profit made by the Government by selling muscat grapes to wineries should be distributed to all of the 12,000 growers without taking into consideration

the individual losses of the particular growers whose grapes created those funds and who suffered the loss. This would be totally unjustifiable and unfair.

In closing this memorandum we again desire to emphasize that the muscat grape growers are only asking for a part of their loss occasioned by loss of moisture of their grapes while waiting for Government facilities to make their harvest possible, this partial compensation to be based on sugar content, the amount to be \$2 for each point of sugar above the normal of 22 percent. This is not what these growers would have gotten had wooden trays been available, or dehydrating facilities and boxes, but it would be a partial compensation out of the proceeds of their own grapes, and we are asking this compensation only where the loss is wholly due to the failure of the Government to keep its promises to supply adequate wooden trays, dehydrating facilities and boxes seasonably. The only accusation which can truly be made against this class of grower is that they trusted and believed their Government's promises.

A detailed history of each grower's efforts, who is making this claim, will be furnished either to the Commodity Credit Corporation or to its local subsidiary, Raisin Producers' Association, under oath.

We ask now that authority from Commodity Credit Corporation be given to the district administrator of War Food Administration to make an equitable adjustment so that a portion of the damage suffered by these loyal growers may be paid out of their proceeds of muscat grapes which have been sold to the wineries. Another year is coming, and regardless of the number of growers involved, War Food Administration and the Government as a whole cannot afford to break faith with these growers who have cooperated and done all they could to dry their muscat raisins seasonably.

It would be an injustice to War Food Administration on the Pacific, and particularly in Fresno, not to express our appreciation of your local administrators, both Mr. Merritt A. Clevenger and Malcolm Watson. We especially want to express our appreciation of Mr. Watson, who has recognized from the beginning of his responsibility what was necessary to complete the 1943 program, and had Washington given him the timely cooperation on wooden trays, boxes, and dehydrators, the inequities herein complained of would never have arisen. Mr. Watson, we believe, more than any War Food Administration official, enjoys the complete confidence and respect of all the raisin growers. He has earned this respect and confidence, and we want him kept here until the war emergency is over.

Respectfully submitted.

MUSCAT GRAPE GROWERS' COMMITTEE,
By H. A. SAVAGE, Secretary.

EXHIBIT A

OCTOBER 9, 1943.

MR. MARVIN JONES,

War Food Administration,

United States Department of Agriculture, Washington, D. C.

Twelve thousand raisin growers of California have in response to your urgent request, produced the greatest crop of raisins in history at the highest cost upon the promise of the War Food Administration to protect the growers with crop insurance as against rain damage, adequate supply of wooden trays, and boxes, and dehydrators. The growers have kept faith. War Food Administration has not. We have barely one-third of the trays promised. Less than that of boxes and inadequate dehydrating facilities. The loyalty of the raisin growers is all the more commendable, because you have fixed a price for their war-necessary food grapes of 40 percent of what you allowed for wine grapes and about 35 percent of what you have allowed for table grapes. Hundreds of thousands of raisin grapes are exposed to the weather on paper trays, and growers are taking tremendous losses due to lack of wooden trays, boxes, and dehydrating facilities, and are now told by our benevolent Government that muscats may be delivered to wineries for \$35.50 per ton when the grapes have lost one-fourth to one-third their weight. The Government can get \$80 to \$100 per ton for them. Muscat growers request and demand that this profit of \$50 to \$65 per ton be utilized to pay growers the same as they would have received had War Food Administration kept its promises, and this will still leave a large profit for War Food Administration. Fairness also demands allowance of raisined muscats delivered to dehydrators different than a ratio of 4 to 1, and this injustice can be equalized from surplus from sale to wineries.

Your local representatives, Merritt Clevenger and Malcolm Watson, are fair and fully realize the inequities. Surely these loyal muscat growers should not be penalized by failure of War Food Administration to procure facilities. We urge you to immediately authorize your local representatives to use funds from sale of muscats to wineries to equalize these injustices. Conditions are critical. We courteously ask your immediate action.

MUSCAT GROWERS COMMITTEE,
H. H. KASPARIAN, Chairman,
S. SERIAN,
MARTIN SERMIAN,
WM. W. FAHLER,
M. V. ADAMS,
P. G. ANDERSON,
A. C. MILLER,
H. A. SAVAGE, Secretary.

Copies to: Congressman B. W. Gearhart, Congressman A. J. Elliott.

EXHIBIT B

WAR FOOD ADMINISTRATION, Fresno, Calif.

We, the undersigned Muscat Grape Growers' Committee, were elected at a meeting held Saturday evening, October 9, 1943, at 8 o'clock at the Hotel Californian, from 35 growers, who had muscats still unpicker, to represent them and try to secure from War Food Administration a prompt and equitable method of harvesting the unpicked muscats, secure allowances for raising and loss of weight where grapes are delivered to dehydrators or wineries, and to secure definite commitments as to crop insurance in case of rain damage.

At this meeting most growers represented heavily losses due to raising of grapes and loss of weight. Many growers had commitments from dehydrators to commence deliveries from the 10th of September on, but the dehydrators told them they had been asked by War Food Administration not to process muscats until Thompsons were out of the way.

Some growers were bothered with roll-leaf hopper. This pest, after eating the leaves, commences to eat the grapes, which soon decay. Others in the Kings County area had muscat grapes molding and rotting on the vines where they contacted the ground, which was too wet. Some growers have been told they would have to haul their grapes to dehydrators and wineries long distances. Practically all growers had asked for adequate wooden trays, and some had received none, some one-half, some one-fourth, and some one-sixth. One grower, as late as October 7, had put his grapes on wooden trays, and one other grower in the Kings County area had put 10,000 trays of muscats on paper trays, finishing last week.

It was estimated that there was between 30,000 and 40,000 tons of muscats still on the vines, and we all know that drying them in the open field, even if we had wooden trays, at this late season is suicidal. It must be remembered that until the Government issued its order requiring the drying of all raisin grapes in 1942, and again in 1943, that most of the muscat grapes were shipped fresh as table grapes, juice, or delivered to the wineries, and very few growers had wooden trays. Even where wooden trays were available many of the muscats ripened so late, or were planted so close together, that drying in the field was impossible.

The University of California, College of Agriculture, agricultural experiment station, Berkeley, Calif., under date of December 24, 1942, issued a report which contains the following, page 17:

"Certain varieties of grapes, namely, muscat of Alexandria and sultana, because of late maturity and other factors, must be dried on wooden trays; and muscat grapes should have available emergency driers and other equipment to salvage the crop in case of unfavorable weather."

Again quoting, page 14:

"With a normal muscat crop in the San Joaquin Valley, about as large as the 1942 crop, probably 30,000 to 35,000 tons of dried muscats could be produced in 1943 if a sufficient price stimulus and adequate drying facilities were provided and weather conditions proved favorable to sun drying. This would be an increase of about 20,000 tons of muscat raisins over the 1942 output and new trays and sweat boxes would have to be provided for most, if not all, of this increase."

War Food Administration recognized these facts, and in a statement released by Mr. Merritt Clevenger at a meeting in the Municipal Auditorium, Fresno, Calif., on April 6, 1943, War Food Administration promised the growers crop

insurance, adequate wooden trays, adequate boxes and dehydrating facilities and that a practical, fair man who knew the grape business would be put in charge of the program.

The Government has kept its promise in only one regard in that it has placed Malcolm Watson in charge of the program at Fresno, and it is our belief that Mr. Watson has done everything he could to be fair and to keep the commitment made by War Food Administration to the growers, but authorities in Washington have not given him the material or the support required to carry out the program. Approximately one-third of the number of wooden trays recognized as necessary by the Government and all muscat growers were provided. The excuse—could not get lumber priorities soon enough. Only an inadequate amount of dehydrators were installed, and many of these so late they have just gotten into operation, and the dehydrators operating have not been able to secure enough boxes to box the dehydrated raisins. Other factors have contributed to the plight of those muscat growers who did not have adequate wooden trays and whose crops ripened too late for sun drying.

War Food Administration determined to dry the unpicked Thompsons as far as practical before using dehydrator facilities for muscats, and in many instances some of the War Food Administration just told growers that their crops would be held until the 25th of October. Probably Washington does not know, but the local War Food Administration authorities know, that when a farmer is going to make muscat raisins out of his grapes, since most of them are irrigated, he must take the water off early in order that they make the proper sugar content in time for drying. This was done practically universally so that the 10th of September in most districts, the Hanford district being somewhat later, and immediately these grapes start going back, that is, the grapes wither and raisin, that is, the moisture goes out of the grapes and they make raisins on the vines, on the vines, and in some cases the loss of weight will be as high as 50 percent, but at the present time the loss of weight is from one-fourth to one-third on the irrigated vineyards, and the loss of weight and raisining will continue until the grapes are harvested unless rain, wet weather or frost spoil them, and this is apt to occur at any time now.

Many growers at the meeting said they had gone to all of the dehydrators in the neighborhood, many had driven 200 miles trying to find a dehydrator to take their grapes, and practically all had been denied. The result of this condition is that muscat growers who were not furnished the facilities recognized as absolutely necessary to dry their grapes, find themselves with their grapes still on the vines, no crop insurance, no chance to sun-dry them and totally inadequate dehydrating facilities to handle them.

The dehydrators have been paying a price of \$37.50 delivered, and make no difference between grapes delivered while in their normal muscat condition when they are supposed to make 1 pound of raisins for 4 pounds of fresh grapes, or a four-to-one ratio, and raisin grapes which will make 1 pound of raisins for 2½ to 3 pounds of grapes. War Food Administration has placed no regulations or controls on dehydrators as to price and has not made available dehydrating facilities for growers to pay the cost of dehydrating and have their raisins. We are told that higher labor costs of dehydrators prohibit granting adequate allowances for raising grapes, and, at any rate, the dehydrators cannot take them.

The only other outlet is when the wineries and local War Food Administration recognizes that releases from the drying order must be given, and are being given in some instances, and some muscats are being delivered to the wineries, but in this case the Government pays only \$35.00 per ton, and the wineries would be pleased to pay anywhere from \$80 to \$100 a ton for these muscat grapes and are willing to pay much more for raisined grapes, that is, withered, because most of the sugar content is still in the grapes in a more concentrated form. The growers who are obliged to pick at this late time, through no fault of their own, are taking a loss of one-fourth to one-third in weight and a price loss where the grapes are delivered to the wineries.

On the other hand the Government can sell these grapes to the wineries at a profit to the War Food Administration of from \$45 to \$60 a ton. We, the undersigned committee of seven elected at the meeting at the Californian on October 9, 1943, believe this gross injustice to loyal and patriotic muscat growers who have complied with the raisin order in every particular, and who have been completely misled by the Government for the most part, solely by reason of War Food Administration not furnishing, as promised, adequate wooden trays, adequate dehydrating facilities and adequate boxes, believe that it is fair and right that their

loss should be compensated and that they be allowed, from the profit which the Government will make on muscats delivered to the wineries, an allowance which will equalize the loss occasioned by reason of War Food Administration not being able to keep its promises in relation to trays, dehydrating facilities and boxes and also to equalize hauling costs where it is necessary, as it will be in a few cases, to deliver muscats to distant dehydrators.

We courteously request War Food Administration to immediately determine the quality of muscat grapes which can be dehydrated with existing dehydrating facilities, and that the muscat grapes, which cannot be dehydrated, be immediately released for conversion by the wineries so as to minimize the loss in weight.

We request that sugar tests be made of all grapes delivered to wineries, and all grapes delivered to dehydrators, which will furnish some basis for adjustment on inequities.

We further ask that War Food Administration examine immediately all unpicked muscats and make a report in writing of the condition of each vineyard with an estimate of the loss from normal maturity due to delay in picking, and an estimate of the loss from molding, decay, rot leaf hopper or other damage arising after normal maturity, so that War Food Administration will have the foundation for making equitable adjustment of these inequities.

All of the muscat grape growers represented by the undersigned committee have endeavored to comply with the War Food Administration's program, and desire to continue to comply with this program, and none of them are asking for releases on muscats to the wineries so that they may secure for themselves the price which wineries will pay for these grapes, but we do most courteously and emphatically insist that we be paid what we would otherwise have secured had War Food Administration furnished us trays, dehydrating facilities and boxes, as promised, from the profit which War Food Administration will make over and above the present quoted prices, both to dehydrators and wineries.

We also urgently petition and request that you announce a definite program of crop insurance so that it can be understood and made workable immediately upon rain damage occurring, especially as to muscat raisins recently picked and on paper trays, as well as muscats on wooden trays. We are sure that neither War Food Administration nor our Government wants or expects the muscat growers to take the unquestioned substantial loss which is not their fault, and we will cooperate with you to the fullest.

We suggest that you permit the undersigned committee to send with your representative, at our expense, a fair-minded, intelligent raisin grower to help in the appraisal of the condition and probable loss to the grower by reason of not having the facilities promised, and above all else we ask for immediate and prompt action.

Respectfully submitted this 11th day of October 1943 by Muscat Growers Committee.

H. H. KASPARIAN,
Chairman.
Wm. W. PARLER,
MARTIN SEHMLAN,
A. C. MILLER,
S. SERIAN,
M. N. ADAMS,
F. G. ANDERSON,
H. A. SAVAGE,
Secretary.

EXHIBIT C

FRESNO, CALIF., October 18, 1943.

WAR FOOD ADMINISTRATION,
Fresno, Calif.

RAISIN COORDINATORS COMMITTEE OF WAR FOOD ADMINISTRATION,
Fresno, Calif.

GENTLEMEN: In order that you may have before you our specific recommendation as to the correction of the inequities arising out of the inability of the Government to get 10,000,000 wooden trays, as promised, and also due in part to

lateness of securing materials and equipment for dehydrators, including boxes, we respectfully submit for your earnest consideration the following:

That each grower file in writing and under oath:

1. A statement showing the extent of his cooperation, the number of wooden trays picked, the number of paper trays, the number of wooden trays asked for of War Food Administration, the amount he received, and when he received them.

2. The nature and condition of his vineyard; that is whether on sandy ground, and planted so sun drying was possible, or planted too close for vineyard drying, or the ground too moist; and also a statement when sugar content was high enough to sun dry.

3. The method of marketing his muscats for the past 5 and 10 years. (We believe you will find that the vast majority of muscat growers who now have grapes on the vines have had no facilities for drying their grapes for years, and have for many years marketed their muscat grapes in either fresh or winery channels.)

As to the man who deliberately and intentionally did nothing to sun dry his grapes when he had facilities and his muscats could have been sun dried, we have nothing to say, except that we do believe the Government should have announced, as promised on April 6, a program of crop insurance or crop salvage so that this grower would have known that if his grapes were damaged by rain or weather he would have been reasonably protected. Many very loyal and patriotic American citizens have been told that they were being "punished" or "penalized" for not sun drying their muscats. For the man who could have sun dried and did not, we do not defend; but as to those hundreds of loyal muscat growers who had no wooden tray facilities and whose grapes matured too late for paper trays, or whose vineyards were planted on land unsuitable for paper trays, or whose vines were too close together for vineyard drying, no greater injustice could be done than to condemn these men and assert they should be punished. One man on our committee, the second week of October, laid down muscats on 10,000 paper trays and before any definite crop insurance program was announced.

After all, it is just as important in wartime that justice be done as it is in peacetime, and surely the muscat grower cannot be himself blamed for the failure of the Government, whatever the cause, to furnish adequate wooden trays for drying these muscats, which, for the most part, had to be dried on wooden trays, or had to go through dehydrators that were not completed seasonably.

The value of muscats for raisins on going into dehydrators is their sugar content. The dehydrators and the Government have adopted, or just accepted a 4 to 1 ratio for dehydrating of muscats. This ratio was not so objectionable at the time when the grapes reached their normal maturity, which was rather late this year due to the extremely heavy crop. Many muscats were put on the trays at 20-percent sugar. At least 40 muscat grape growers were asked what was the average sugar content this year for sun drying, and they stated that they believed the average muscat was put on the trays at not over 22-percent sugar; some much did not reach 22-percent sugar until after normal drying season had passed. We have adopted, therefore, as normal for this year, 22-percent sugar.

We have had one of the longest, hottest, and driest falls in history. Muscat grape growers who were obliged to make raisins out of irrigated soil, in accordance with good cultural practices, took the water off of their vineyards in late July or early August, and due to the fact they could not get wooden trays, nor secure dehydrating facilities, their grapes have dried and raisined on the vines and have lost from one-fourth to one-third of their weight on many vineyards, and the sugar content, due to raisining, has gone up to as high as 28 and 30 percent and these grapes now make at least 1 ton of dehydrated raisins for 3 tons of fresh grapes, and the grower still only receives \$35.50 per ton for his grapes. Through no fault of the grower is he to take this 25 to 33% percent loss, especially when there is no loss in raisins, because these grapes make as many raisins as they would have made had they been harvested earlier.

Many muscat crops have been turned down by dehydrators because of too much raisining and for various other reasons, some of which we believe to be insincere; and these grapes have been forced into the wineries. In the wineries the important thing is again the sugar content. No argument need to be made on this, because War Food Administration's sales to wineries are based upon a sugar test; that is, the sugar test determines the price, and the price set, so we

are advised, is \$3.25 per sugar point. It is, therefore, beyond dispute from the point of the Government and its appraisal of the value of these grapes that the sugar test is the all-important feature, and from the point of dehydrators the sugar test is the important feature.

We, therefore, believe that the inequities arising solely by reason of the failure of the Government to supply wooden trays as promised, and to make available seasonably dehydrating facilities and boxes should be compensated for, and these inequities corrected on a sugar test basis. This is nothing new in connection with the Government activities in the raisin belt. In 1938 we had what we called The Grape Prorate Program in which F. R. C. loaned, on grapes delivered to wineries of the raisin varieties, as well as others, \$4,500,000. These deliveries were all on a basis of sugar test, a certain premium being paid for each point above 22 percent, and a like reduction for each point of sugar below 22 percent. Here is a very definite precedent and it worked well and without objection, excepting that the wineries made the sugar test, and in many instances they did not overstate the sugar content. All these records we have available for you if you desire confirmation.

In light of these considerations we respectfully submit for your consideration the following formula as a basis of correcting the admitted and unquestioned inequities in these cases where growers have made industrious effort to sun dry their grapes, but have not been able to sun dry their grapes solely due to the failure of the Government to furnish wooden trays, as promised, and adequate dehydrating facilities and boxes:

That sugar tests be made of all grapes delivered to dehydrators and to wineries; that as far as possible these sugar tests be made by Governmental agencies or an agency of War Food Administration.

That we take as a base 22 percent sugar, and that for each additional point of sugar above 22 percent the grower be paid \$2 per ton.

A little arithmetic might prove interesting. If the grower had dried these grapes seasonably, when they reached 22 percent sugar, he would have had for 4 tons of fresh grapes 1 ton of raisins, for which he would have received \$165, or \$41.25 per ton. Today when he picks those same grapes, they weigh 1,500 pounds, for which he receives three times \$35.50, or \$106.50; and yet they make approximately a ton of raisins. The grower's paper loss, therefore, is \$57.50 for the 3 tons delivered. Should War Food Administration believe that the grower should be penalized for not getting his grapes dried, or that he should be encouraged to the maximum of effort in the future by making it more profitable for the grower to sun dry, he is still being punished enough. Assuming his grapes went 28 percent sugar under this formula, he would be paid \$12 per ton additional, still suffering a loss.

We suggest and recommend that the correction to these inequities come out of the proceeds of these very muscat grapes which are now being sold to the wineries. The raisined and high sugar muscat of 28 percent the growers are now delivering to wineries, will bring to the wineries \$90 per ton. This leaves a net profit to War Food Administration of \$54.50, and this fund is more than sufficient without using any appropriated War Food Administration funds to correct these inequities.

We think the dehydrators should certainly pay an additional amount. Your local War Food Administration as so recommended and many dehydrators have been willing to do so, but have taken the position that it is unfair for one dehydrator to take such a position unless all of the dehydrators do likewise, and this may prevent the dehydrators from absorbing some of this loss. A dehydrator will get 3 tons of raisins out of 28 percent muscats; and the ratio should be 3 to 1 and not 4 to 1. War Food Administration should have set up a program where the farmers' grapes could have been dehydrated at a reasonable profit to the dehydrator, and the dehydrated raisins delivered to the grower. This was not done. War Food Administration should have at least fixed a price on grapes going to the dehydrator that would have reflected their true value based on the sugar content. The sugar ratio of 4 to 1 at the beginning of the season might have been just, although we believe this too high a ratio, but surely now after the grapes have raisined on the vines, that is, have lost moisture, but not sugar, this 4-to-1 ratio should not longer apply, because it is not in accordance with the facts. The master of the portion of the compensation which the dehydrators should pay toward correcting these inequities we believe is for War Food Administration to settle, and something should be done along this line, because the dehydrators were

built with Government money, and for the most part are operating on Government funds, and certainly the Government should not guarantee abnormal profits at a time when the farmer is suffering a loss.

In response to our telegrams to Washington we have received a telegram from War Food Administration which adopts the loss of moisture or weight as we contended for in this petition. We quote from the telegram of War Food Administration by E. M. Graham, Food Distribution Administration, under date of October 14, 1943, which reads as follows:

"War Food Administration is following raisin program as originally outlined and stands ready to extend growers the promised protection against loss, account weather damage. Grapes that cannot be converted into standard quality raisins now being diverted to wineries at prices to commence in line with raisin prices. The schedule of prices, which are to be paid growers, for partially dried grapes and raisins will reflect increases to cover any loss in moisture. At this time it is impossible to determine financial losses to the Government of the raisin program. Careful consideration was given to raisin prices before decision and announcement.

"E. M. GRAHAM,
"Food Distribution Administration."

We, therefore, respectfully petition War Food Administration that from the profit War Food Administration and/or Raisin Producers Association, its subsidiary, makes from sale of muscats to wineries, it partially compensate Muscat growers who have cooperated in the War Food Administration raisin program on a basis of \$2 per ton for each point of sugar above 22 percent.

Respectfully submitted,

MUSCAT GRAPE GROWERS' COMMITTEE,
By _____ Secretary.

EXHIBIT D

STATE OF CALIFORNIA,
County of Fresno, ss:

1. How many muscats did you put on wooden trays? None. On paper trays? None. Wooden trays requested from War Food Administration: None. Number of trays received from War Food Administration: None. Date when received: _____

2. Please state the nature and condition of your vineyard, that is, whether sandy ground, subirrigated ground or vines planted too close together for sun drying, and the approximate date when the grapes were ripe enough to pick for raisins.

My vineyard is a late one; the soil is heavy. I gave up making raisins some time ago because the weather hazard was too great. Three years ago I interplanted it with golden chassals, making the rows 5 by 10 feet. This was the reason the War Food Administration allowed me to dehydrate. The order was made on September 20. The grapes were in good shape to pick on October 1, and from then on raisining went on very rapidly. When the grapes were determined as too ripe for dehydration it was October 15; and it was October 18 before the notice to proceed to deliver to a winery was received. At that time about 25 percent had raisined on the vines. At no time was I able to secure delivery to a dehydrator.

I had no dry lot large enough for the crop, nor trays for more than a third of it. The War Food Administration cleared me to a dehydrator without question. The dehydrators could not do the work when it had to be done.

3. How have you marketed your muscats for the past 10 years—to wineries, shipped fresh or dried? The grapes have usually gone to wineries or have been shipped east. I have attempted no raisins till last year, since 1935. At that time a drier burned. The crop was a total loss.

Have you dried any on paper trays? None.

Dated at Fowler, Calif., October 21, 1943.

F. C. KELLOGG.

Subscribed and sworn to before me this 21st day of October 1943.

[SEAL] Notary Public, in and for the County of Fresno, State of California.
H. A. SAVAGE,

EXHIBIT E

STATE OF CALIFORNIA,
County of Fresno, ss:

1. How many muscats did you put on wooden trays? Seventeen acres out of 27. On paper trays? None. Wooden trays requested from War Food Administration: None. Number of trays received from War Food Administration: None. Was told no wooden trays available. Date when received: _____

2. Please state the nature and condition of your vineyard; that is, whether sandy ground, subirrigated ground, or vines planted too close together for sun drying, and the approximate date when the grapes were ripe enough to pick for raisins.

The muscats are planted 8 by 10 feet, the rows running north and south.

On or about October 5, Selma dehydrator turned grapes down because too badly raisined on large part of vineyard. Loss of weight due to loss of moisture I estimate at 25 percent.

3. How have you marketed your muscats for the past 10 years—to wineries, shipped fresh or dried?

We have shipped fresh mostly, with some going to wineries. Have made no raisins since 1934 or 1935.

Have you dried any on paper trays? No.

Dated at Selma, Calif., October 22, 1943.

ALBERT H. POULSON.

Subscribed and sworn to before me this 22d day of October 1943.

[SEAL] H. A. SAVAGE,
Notary Public, in and for said County and State.

The CHAIRMAN. Will you tell the committee just briefly what his brief sets out?

Mr. MATTICE. The brief sets out that in preparing for the 1943 food program the War Food Administration requested the California grape growers to produce more than the usual quantity of grapes for drying purposes, for the eventual purpose of making them into raisins. Raisins have excellent food value.

The growers of grapes in California did not possess the facilities which would enable them to undertake such extended program. Meetings were held at San Francisco and at Washington with officials of the War Food Administration. That situation was canvassed and the result of it was the agency, that War Food Administration, told the grape growers, that is, its representative said to these growers in these meetings, if they would undertake it the Government would undertake on its part to provide them with 10,000,000 wooden trays, which are used for the purpose of drying the grapes; that it would increase the capacities of dehydrating plants in California, that is, plants in which they dry grapes, and would, thirdly, provide them with what is denominated crop insurance, which, as I understand it, meant that if, by reason of the weather, the process of drying the grapes was interfered with and they were spoiled and thus lost the crop or part thereof, the Government would compensate them, or provide insurance that would compensate them.

So the growers undertook to carry out that program. Instead of 10,000,000 trays, only 3,000,000 were furnished. The additional facilities for the dehydrating plants were not made available. Some were, but not to the extent promised. No insurance was made available. The grapes hung on the vines. Grapes that were to go into this program of drying them and making raisins out of them hung on the vines, losing their water content and sugar, I believe.

I am not familiar with that process, but, as I read it, I understand that were losing one or both, sugar and water. In other words, the grower would lose weight at least when he came to sell his grapes, after he had let them hang on the vines for a long period of time, longer than they would have been there if they had been taken for drying purposes or used for winery purposes. As the result, these growers were unable to carry out the program of making raisins out of their grapes which they were allocating for that purpose.

Finally they were purchased by the Government or some agency of the Government, I think it was the War Food Administration, although I may not be correct in that. Those grapes were purchased from the growers at \$30.30 a ton, and my information is that the agency then sold the grapes to the wineries at \$75 a ton, thereby making a profit of the difference between \$30.30 and \$75.

Senator FERGUSON. Who made the profit?

Mr. MATTICE. The agency of the Government that handled it. I may be mistaken about it being the War Food Administration.

Mr. WOOTTON. The Commodity Credit Corporation.

Mr. MATTICE. I was going to say it may have been the Commodity Credit Corporation. Is that correct?

Mr. WOOTTON. Yes.

Senator WHERRY. Was there any agreement as to what the Commodity Credit should pay for the grapes?

Mr. MATTICE. No.

Senator WHERRY. Was there any floor established?

Mr. MATTICE. The agreement was they would provide certain facilities.

Senator WHERRY. I understand. Was there anything about the price?

Mr. MATTICE. No. The agreement had not even in mind buying the grapes at the time the thing was set up, but as a matter of helping them out, the Government finally said, "We will take your grapes and pay you \$30.30 a ton for them." They went to the wineries at \$75 a ton.

Senator MURDOCK. Was the reason they went to the wineries because the Government failed to supply the facilities for drying?

Mr. MATTICE. Failed to provide them within the time in which the drying had to be done. They could not wait until winter to do it. The season was passing and the facilities were not there, so the grapes were going to rot.

Senator MURDOCK. Does the committee or the attorney for the committee have any information as to why the Government failed to furnish the facilities?

Mr. MATTICE. I haven't obtained that yet.

Senator WHERRY. Does the witness have that information?

Mr. WOOTTON. That grape-drying program was handled by the War Food Administration with the growers and was not a winery operation, except insofar as the Commodity Credit sold grapes to the wineries. We had to pay the market price.

Senator FERGUSON. Mr. Mattice, how do you account for the O. P. A. fixing a price on the regular lower-priced wines that they could only afford to pay \$30.30, and yet here is the Commodity Credit selling the grapes to these wineries at \$75 a ton?

Would not that tend to put the small fellow out of business?

Mr. MATTICE. It obviously would have that effect. The announcement which I read, that press release, stated that O. P. A. would soon place these ceiling prices on wine, and they did, in fact, a few days later issue a regulation fixing the ceiling prices.

They also put a ceiling price on the grapes which the grower would sell, as Mr. Wootton says, to everybody except wineries.

But this press release was a warning to the wineries. May I interrupt for a minute to ask Mr. Wootton what is meant by the term "vintner"?

Mr. WOOTTON. It is a term used to describe a person that operates a winery.

Senator MURDOCK. What was the answer?

Mr. MATTICE. The answer was, "vintner means a person who operates a winery."

Now, this press release of O. P. A., put out as it was through the office of O. P. A. at San Francisco, was put out for the purpose of warning the vintner not to pay more than \$30.30 a ton, because O. P. A. would, within a few days, put ceiling prices on wine, and O. P. A. did do that.

Senator MURDOCK. Let me ask you this: Would not that be playing right into the hands of the big distilleries?

Mr. MATTICE. Absolutely, as shown by what happened.

Senator MURDOCK. Yes.

Mr. MATTICE. Now, Mr. Wootton, I would like to ask if, after that press release was put out warning the vintners against paying the prices that were then being paid (I understand they were already paying around \$75 a ton), but O. P. A. was warning them against that because O. P. A. was going to put ceiling prices on wine, I will ask you whether it is not the fact that these vintners went right on paying \$75 a ton?

Mr. WOOTTON. Yes, sir.

Mr. MATTICE. That answers that. Then, after O. P. A. did put the ceiling prices on wine, the vintners paid no attention to it, but went right on paying \$75 or even more per ton; did they not?

Mr. WOOTTON. In some cases; yes, sir.

Mr. MATTICE. I do not know about this, but I am seeking information. Let me ask you if it is not a fact that after O. P. A. put the ceiling prices on wine, taking everything into account, the varieties, and so forth, if the prices thus fixed would not have justified the vintner paying as high as even \$140 or \$150 a ton.

Mr. WOOTTON. No, sir.

Mr. MATTICE. You do not think it would?

Mr. WOOTTON. No, sir.

Mr. MATTICE. Well, the prices at which the wines have been selling since then are, in some instances, four times as high as normally, are they not, and even more?

Mr. WOOTTON. Not the same brand. I will tell you, sir, there was a period between the time—it is a long story of what happened between these different orders.

Mr. MATTICE. You have answered my question. You do not think that the vintners, on the present basis of O. P. A. ceiling prices on wines, could have paid \$140 a ton for grapes and make money on them. That is your opinion?

Mr. WOOTTON. Yes, sir.

Mr. MATTICE. That is what I am asking. I am just seeking information.

Senator WHERRY. Mr. Mattice, after this release went out and they warned the vintners not to pay \$75, what was the market price then? What continued to be the price on the market?

Mr. MATTICE. They went right on paying \$75. That is as I understand it.

Senator WHERRY. What was the price for grapes during that period following this release?

Mr. MATTICE. It was \$75 and continued to be around \$75. It did not affect it.

Senator MURDOCK. But there was a ceiling. I do not know whether Senator Wherry got this point or not. Exclusive of the wine industry there was a ceiling price, was there not, of \$30?

Mr. MATTICE. \$30.30.

Senator MURDOCK. On grapes that you sold to anybody, but the winery, the ceiling was still \$30.

Senator WHERRY. After the release they still went right to the winery and the winery bought them at \$75 a ton?

Mr. MATTICE. That is right.

Senator MURDOCK. Would this conclusion be right? Instead of conserving your grapes for the food program that had been inaugurated what happened was it drove the grapes out of the food program.

Mr. MATTICE. It gave every incentive in the world to the growers to sell their grapes to the wineries.

Senator MURDOCK. It forced them to do that.

Senator FERGUSON. There are a great number of people that make their own wine, that could not buy grapes because they had to pay \$30.

Mr. MATTICE. They were bound by that ceiling.

Senator FERGUSON. There were no grapes that they could get, because the wineries could pay the higher prices. So it put the home wine maker out of business.

Senator MURDOCK. I think the witness wants to comment on that.

Mr. WOOTTON. I want to say, sir, in connection with the conclusion that you mentioned just a second ago, as I understand it, the War Food Administration's raisin program was far exceeded this year, over what they expected, and much over last year. That is, they got more raisins than they expected.

Senator MURDOCK. By that you mean there was a greater tonnage of grapes?

Mr. WOOTTON. There was a greater tonnage of grapes than the Government even anticipated.

Senator MURDOCK. A greater tonnage of grapes went for food purposes than had been anticipated by the program of the War Food Administration?

Mr. WOOTTON. That is right.

Senator FERGUSON. What did they get a ton for grapes made into raisins? What was the ceiling on that?

Mr. WOOTTON. I think the farmer got a return of somewhere around \$37 and \$42 a ton, for fresh grapes.

Senator FERGUSON. Was that prior to the large price on the grapes to the winery?

Mr. WOOTTON. The requirement of the orders under which those prices were set came out just at the beginning of the picking season. Senator FERGUSON. Yes.

Mr. WOOTTON. I do not think there was much buying of wine grapes for some time.

Senator FERGUSON. The wine grapes come at the latter part of the season; is that not true?

Mr. WOOTTON. A little after the raisins.

Senator FERGUSON. Your raisin grape comes at the beginning of the season?

Mr. WOOTTON. It depends on the district, sir. It starts out early in the South and works up toward the North.

Senator WHERRY. Do I understand you to say now that the War Food Administration said there were plenty of grapes for raisins, that they had all they want?

Mr. WOOTTON. I said the Government actually got in dried raisins much more than they apparently anticipated.

Senator WHERRY. Well, from what facts do you make that statement?

Mr. WOOTTON. The unofficial figure, as I understand it, for the tonnage dried this year is 368,000 tons. Now, last year the Government only got dried around 250,000 tons.

Senator WHERRY. That does not indicate that there were plenty of grapes for raisins, because I know it to be a fact that about the scarest commodity for the people to buy in the grocery store today is raisins.

Mr. WOOTTON. That is release after the raisins are dried. I do not know anything about that.

Senator WHERRY. If we had plenty of raisins, the O. P. A. would release them as quickly as they could; would they not? Would not the O. P. A. do that? They would not want to hoard them.

Mr. WOOTTON. I do not know whether the 1943 pack is ready for the market yet.

Senator WHERRY. How did it affect the growers? Would not the growers hold their grapes to sell to wineries at \$75 a ton rather than to sell them for raisins at \$30 a ton, and did not there arise a black market out of that?

Mr. WOOTTON. The Thompsons and muscats, those are the two grape varieties in the principal counties where they are grown, had to be dried, they had to go down on trays. If they spoiled, you could get a local Government man to come there and release them, or turn them over to the Government in connection with this insurance program.

Senator WHERRY. Would you verify the statement made in this brief, that the Government did go out and buy grapes at \$30.30, and the Commodity Credit did go out and sell to the wineries grape for \$75 a ton?

Mr. WOOTTON. Yes; a certain quantity of them. What the quantity was, I do not know.

Senator WHERRY. And that they only paid \$30 ceiling price for grapes from the growers?

Mr. WOOTTON. They were paying approximately \$42.

Senator WHERRY. They were paying approximately \$42?

Mr. WOOTTON. Yes.

Senator WHERRY. Would you verify that?

Mr. MATTICE. It is approximately correct.

The CHAIRMAN. What did Matthew McNamara have to do with this thing?

Mr. WOOTTON. I do not know, sir.

The CHAIRMAN. What department was he with?

Mr. WOOTTON. With the War Production Board.

The CHAIRMAN. Well, did the War Production Board take any interest in the picture that we have been talking about here?

Mr. WOOTTON. No, sir. What you are talking about is the war food program.

The CHAIRMAN. And McNamara did not extend his activities that far?

Mr. WOOTTON. So far as I know; no.

The CHAIRMAN. We will go into that later with you this afternoon.

All right, I think we better recess.

Senator WHERRY. Mr. Chairman, may I ask one question?

The CHAIRMAN. Yes.

Senator WHERRY. I just got here when you were talking about Schenley, or this representative of Schenley that was a director in your organization.

Mr. WOOTTON. Yes.

Senator WHERRY. And also a director in the Fruit Growers Association of California.

Mr. WOOTTON. Yes.

Senator WHERRY. What mode of procedure do you have to elect a member and director on your board of this wine institute that you represent here?

Mr. WOOTTON. They are elected at the annual meeting, I believe.

Senator WHERRY. By the stockholders?

Mr. WOOTTON. By the membership; yes.

Senator WHERRY. That is out there in California?

Mr. WOOTTON. That is correct.

Senator WHERRY. You mean this man who represents the Schenley people and your wineries was elected by popular vote in California?

Mr. WOOTTON. Yes, sir; as far as I know.

Senator WHERRY. By a popular vote?

Mr. WOOTTON. Yes.

Senator WHERRY. With 15,000 growers?

Mr. WOOTTON. The growers do not belong to it. These are the wineries.

Senator WHERRY. These are the wineries?

Mr. WOOTTON. Yes.

Senator WHERRY. How many wineries are there?

Mr. WOOTTON. There are about 395 premises, different premises.

Senator WHERRY. Do they all have an equal voting power?

Mr. WOOTTON. It is voted by firms. Our membership by firms is about 170, and 220 premises. One firm will have maybe two wineries.

Senator WHERRY. Do these big whisky companies reach out and control that, so they can lick anyone that is not a director of the association?

Mr. WOOTTON. No, sir.

Senator WHERRY. You are sure of that?

Mr. WOOTTON. Yes, sir.

The CHAIRMAN. Were you present at any of the meetings where they elected the directors?

Mr. WOOTTON. I was at the last meeting.

The CHAIRMAN. A lot of proxies were voted, were they not?

Mr. WOOTTON. I did not follow the detail of the voting.

The CHAIRMAN. Do you know whether there were any proxies voted or not?

Mr. WOOTTON. No, sir; I could not tell you that.

Senator FERGUSON. What was your business before you were connected with this?

Mr. WOOTTON. I was with the Government.

Senator FERGUSON. Are you a lawyer?

Mr. WOOTTON. By profession, yes. I am not practicing law.

Senator FERGUSON. You have not practiced?

Mr. WOOTTON. No, sir.

Senator MURDOCK. Would it be a fair conclusion, Mr. Wootton, to say now, since the four big distilleries got into the wine business, that the wine business in California now is very much under the influence of intoxicating liquor? [Laughter.]

Senator FERGUSON. Did you answer his question?

Mr. WOOTTON. I think so, sir.

The CHAIRMAN. What was your answer?

Mr. WOOTTON. I laughed with the rest of the gentlemen.

Senator FERGUSON. Was your answer "Yes"?

Mr. WOOTTON. No, sir; I did not give a yes or no answer.

Senator WHERRY. Just one more thing. Does each company or subsidiary of a company have just one vote, or how about that?

Mr. WOOTTON. I cannot tell you. I will find that out for you, sir.

Senator WHERRY. I want to find out. I want to see how they elect the directors, whether they elect them on the basis of one big company, even though they have 160 plants, or whether there is a popular election out there.

Senator FERGUSON. Were they elected before they acquired their interest, or after?

Mr. WOOTTON. These elections took place in March 1943 at the regular annual meeting at that time.

Senator FERGUSON. When were the interests acquired?

Mr. WOOTTON. Most of them were acquired in 1942, the principal ones.

Senator FERGUSON. So then they were already owners of the other firms.

Mr. WOOTTON. Yes; that is right. I might say, sir, I do not think there has been much real change in the board of directors over the last several years.

Senator FERGUSON. It is a kind of closed corporation?

Mr. WOOTTON. No, sir.

Senator FERGUSON. Does the corporation pay an income tax?

Mr. WOOTTON. You mean the Wine Institute?

Senator FERGUSON. The Wine Institute.

Mr. WOOTTON. No, sir.

Senator FERGUSON. It is a nonprofit set-up?

Mr. WOOTTON. It is a nonprofit set-up.

The CHAIRMAN. The committee will rise until 2 o'clock. You return, Mr. Wootton.

(Whereupon, at 12:45 p. m., the committee recessed to 2 p. m. of the same day.)

AFTERNOON SESSION

The CHAIRMAN. All right, Mr. Mattice, we will proceed.

Mr. MATTICE. Mr. Wootton, do you have with you now a list of the members which the chairman inquired about before the recess?

Mr. WOOTTON. I have a list of the active members of the Wine Institute as of October 1, 1943, together with a supplementary memo showing additional elections of a few more members as of December 1, 1943. I understand that since that time a few more members have been taken in, making roughly around 170 firms constituting the membership.

(The list referred to is as follows:)

Active members, as of Oct. 1, 1943, of Wine Institute, San Francisco, Calif.

Acampo Winery & Distilleries: Office, winery, and fruit distillery.	Acampo, Calif.
Giuseppe Alberti: Office.....	530 West 3d St., Hanford, Calif.
Winery.....	601 West 4th St., Hanford, Calif.
Almaden Vineyard Wines, Ltd.: Office and winery.	Route 3, Box 257, Los Gatos, Calif.
Alta Vineyards Co.: Office, winery, and fruit distillery.	Route 2, Box 255, Dinuba, Calif.
American Industries Corporation: Office and winery.....	814 Montgomery St., San Francisco, Calif.
Winery.....	Route A, Box 205, Geyserville, Calif.
Arvin Wine Co.: Office, winery, and fruit distillery.	Post Office Box 303, Arvin, Calif.
A. Athenour & Bros.: Office and winery.....	Route 3, Box 230, Los Gatos, Calif.
Emil Bandiera: Office and winery.....	Route 1, Box 6, Cloverdale, Calif.
Barengo Bros.: Office and storeroom.....	310 East 2d St., Reno, Nev.
Winery.....	Post Office Box 658, Galt, Calif.
Bear Creek Vineyard Association: Office, winery, and fruit distillery.	Post Office Box 850, Lodi, Calif.
Beaulieu Vineyard: Office.....	300 Montgomery St., San Francisco, Calif.
Winery.....	Rutherford, Calif.
Eastern office and storeroom.....	42 West Broadway, New York, N. Y.
Berliner Bros., Inc.: Office, winery, and fruit distillery.....	St. Helena, Calif.
Winery.....	5122 St. Helena Highway, Napa, Calif.
Branch office.....	85 2d St., San Francisco, Calif.
Cadenasso Winery, Frank G. Cadenasso, proprietor: Office and winery.	Post Office Box 28, Fairfield, Calif.
California Champagne Co.: Office and winery.....	2798 Hyde St., San Francisco, Calif.
Winery.....	St. Helena, Calif.
California Grape Products Co.: Office.....	55 New Montgomery St., San Francisco, Calif.
Wineries and fruit distilleries.....	Post Office Box 58, Ukiah, Calif.
Eastern office and storeroom.....	Delano (Trocha), Calif.
California Growers Wineries: Office, winery, and fruit distillery.	420 West 25th St., New York, N. Y.
California Products Co.: Office and fruit distillery.	Post Office Box 38, Cutler, Calif.
Calistoga Wine Co.: Office and winery.....	Post Office Box 311, Fresno, Calif.
John Cambiaso: Office and winery.....	Calistoga, Calif.
Cameo Vineyards Co.: Office, winery, and fruit distillery.	Route 2, Box 229, Healdsburg, Calif.
	Post Office Box 1327, Fresno, Calif.

Active members, as of Oct. 1, 1943, of Wine Institute, San Francisco, Calif.—Con.

Peter Campini: Office and winery	Pratt Ave., St. Helena, Calif.
Carbone Napa Valley Winery, L. A. Carbone, proprietor:	
Office	1129 Pearl St., Napa, Calif.
Winery	Napa, Calif.
Les Fils de Maurice Cassin, Inc.: Office and winery	4293 Bennett Valley Rd., Santa Rosa, Calif.
Castlewood Wine Co., W. B. Williams, proprietor: Office and winery	Walton Ave., Centerville, Calif.
Cherokee Vineyard Association: Office, winery, and fruit distillery	Doherty Station, Acampo, Calif.
Louis Cherpin Winery: Office and winery	Route 1, Box 563, Fontana, Calif.
Colton Wineries:	
Office, winery and fruit distillery	331-335 North Mission Rd., Los Angeles, Calif.
Winery and fruit distillery	644 West J St., Colton, Calif.
Community Grape Corporation: Office, winery, and fruit distillery	Post Office Box 476, Lodi, Calif.
Concannon Vineyards:	
Office and winery	Post Office Box 718, Livermore, Calif.
San Francisco office	85 2d St., San Francisco, Calif.
Coppo Winery, Jacob A. Greenberg, proprietor: Office, winery, and fruit distillery	Post Office Box 127, Mira Loma, Calif.
Cresta Blanca Wine Co., Inc.:	
Office and winery	Livermore, Calif.
Winery and fruit distillery	Elk Grove, Calif.
Wineries	St. Helena, Calif.
	Box 22, Geyserville, Calif.
	Box 632, Livermore, Calif.
	Post Office Box 5, Ontario, Calif.
Storeroom	
Cucamonga Growers Co-Operative Winery: Office, winery, and fruit distillery	516 South Haven Ave., Cucamonga, Calif.
Cucamonga Pioneer Vineyard Association: Office, winery, and fruit distillery	Rochester Ave., Cucamonga, Calif.
Cucamonga Winery: Office and winery	
Dagostino Winery:	918 20th St., Sacramento, Calif.
Office	Route 2, Box 2900, Sacramento, Calif.
Winery	County Rd., Sanitarium, Calif.
Deerpark Winery, John J. Balentine, proprietor: Office and winery	Cecil Ave., Delano, Calif.
Delano Growers Cooperative Winery: Office, winery, and fruit distillery	
Del Rio Winery:	
Office	Post Office Drawer 30, Lodi, Calif.
Winery and fruit distillery	Woodbridge, Calif.
Di Carlo Wine & Vineyard Co.: Office, winery, and fruit distillery	Foothill Blvd., Etiwanda, Calif.
Di Giorgio Fruit Corporation:	
Office	433 California St., San Francisco, Calif.
Winery and fruit distillery	Sierra Vista Ranch, Delano, Calif.
East-Side Winery: Office, winery and fruit distillery	East-Side Station, Lodi, Calif.
The Elk Grove Winery, Inc.: Office, winery, and fruit distillery	Elk Grove, Calif.
Ellena Bros.: Office, winery, and fruit distillery	Post Office Box 134, Etiwanda, Calif.
Farmington Winery: Office and winery	Elm St., Farmington, Calif.
J. Filippi Vintage Co.: Office and winery	Box 67, Mira Loma, Calif.
Florin Winery Association: Office, winery, and fruit distillery	Post Office Box 168, Florin, Calif.
L. Foppiano Wine Co.: Office and winery	Route 2, Box 222-A, Healdsburg, Calif.
Pountaingrove Vineyard, Errol MacBoyle, proprietor: Office and winery	Post Office Box 398, Santa Rosa, Calif.

Active members, as of Oct. 1, 1943, of Wine Institute, San Francisco, Calif.—Con.

Freemark Abbey:	
Office	115 Santa Monica Blvd., Santa Monica, Calif.
Winery	Box 14, St. Helena, Calif.
Fresno Winery, Inc.:	
Office	911 Helm Bldg., Fresno, Calif.
Winery and fruit distillery	Shaw and Winery Aves., Clovis, Calif.
Fruit Industries, Ltd.:	
Main office and winery	900 Minnesota St., San Francisco, Calif.
Wineries	
Los Angeles office	1440 South Canal St., Chicago, Ill.
Eastern office and winery	Commercial Exchange Bldg., 416 West 8th St., Los Angeles, Calif.
Chicago office	18-30 Hamilton Ave., Brooklyn, N.Y.
Garatti Winery: Office, winery, and fruit distillery	35 East Wacker Drive, Chicago, Ill.
Garden Vineyards Winery & Distillery Co.: Office, winery, and fruit distillery	124 St. Johns St., Pleasanton, Calif.
John Garrett: Office and winery	Route 1, Box 83, Fowler, Calif.
Gussie Garabaldi:	
Office	1075 Buckle Station Rd., Napa, Calif.
Winery	7331 St. Helena Highway, Napa, Calif.
	Box 8404 St. Helena Highway, Napa, Calif.
Garrett & Co., Inc.:	
Office, winery, and fruit distillery	Post Office Box F, Cucamonga, Calif.
Winery and fruit distillery	806 Donahue St., Santa Rosa, Calif.
Garvey Winery, Inc.: Office and winery	2574 South Sullivan Ave., Rosemead, Calif.
Golden State Winery, John Borello, proprietor: Office and winery	Route 9, Box 724, Fresno, Calif.
Gonsalves Winery, Jose Gonsalves, proprietor: Office and winery	607 F St., Martinez, Calif.
Grand-Life Champagne Winery, Rudolf E. Weibel, proprietor: Office and winery	572-576 Folsom St., San Francisco, Calif.
Emilio Guglielmo:	
Office and winery	Route 2, Box 42, Morgan Hill, Calif.
Branch office	33 Sadowna St., San Francisco, Calif.
Carl Haehl: Office and winery	Post Office Box 44, Cloverdale, Calif.
Sam Haus: Office and winery	Pope Valley, Calif.
Henrietta Rancho Products Co.: Office, winery, and fruit distillery	Post Office Box 2023, Fresno, Calif.
William Hoelscher & Co.: Office and storeroom	1620-1650 Jackson St., San Francisco, Calif.
Inglebrook Vineyard Co.: Office and winery	Rutherford, Calif.
Italian Swiss Colony:	
Office and storeroom	781 Beach St., San Francisco, Calif.
Wineries and fruit distilleries	Asti, Calif.
	Box 428, Clovis, Calif.
Chicago office and storeroom	400 West Kinzie St., Chicago, Ill.
Italian Vineyard Co.:	
Office, winery, and fruit distillery	Quasti, Calif.
Branch office	815 Transamerica Bldg., Los Angeles, Calif.
Stephen Jacks & Son: Office and winery	Box 161, St. Helena, Calif.
F. Korbel & Bros., Inc.:	
Office	2423 Broadway, San Francisco, Calif.
Winery and fruit distillery	Guernville, Calif.
LaQuetta Vineyard: Office and winery	Route 1, Box 1116, Redwood City, Calif.
Larkmead Vineyards: Office and winery	Post Office Box 346, St. Helena, Calif.
Leemar Winery, Inc.: Office and winery	Route 8, Box 64, Fresno, Calif.

Active members, as of Oct. 1, 1943, of Wine Institute, San Francisco, Calif.—Con.

Lemond Winery, Lee G. Morelli, proprietor: Office and winery.....	Box 42, Occidental, Calif.
Little Harry Bonded Winery, Enrico Miglio, proprietor: Office and winery.....	Route 2, Box 25, St. Helena, Calif.
Loomis Winery, Joseph E. DeMutis, proprietor: Office and winery.....	Route 1, Box 226, Loomis, Calif.
Los Amigos Vineyards, R. S. Mayock, proprietor: Office and winery.....	Mission, San Jose, Calif.
The Lucerne Winery: Office, winery, and fruit distillery.....	Route 1, Box 79, Hanford, Calif.
Madonna Winery, Louis Bartolucci, proprietor: Office and winery.....	Oakville, Calif.
L. M. Martini Grape Products: Office and winery.....	Post Office Box 112, St. Helena, Calif.
Masi Bros.: Office and winery.....	Rutherford, Calif.
Paul Masson, Inc.: Office and winery.....	Cucamonga, Calif.
A. Mattel: Office, winery, and fruit distillery.....	Saratoga, Calif.
San Francisco office.....	Post Office Box 1111, Fresno, Calif.
Cesar Mazzini: Office and winery.....	109 Clay St., San Francisco, Calif.
Robert G. McClure: Office, winery, and fruit distillery.....	Star Route, Cloverdale, Calif.
P. L. Mirassou & Sons Co.: Office and winery.....	Post Office Box 1025, Lindsay, Calif.
Storeroom.....	Route 4, Box 223, San Jose, Calif.
Mont La Salle Vineyards: Office, winery, and fruit distillery.....	Evergreen, Calif.
Montebello Wine Co. of California: Office and storeroom.....	Post Office Box 667, Napa, Calif.
Wineries.....	2505 Bryant St., San Francisco, Calif.
Storeroom.....	Spring St. and Hudson Ave., St. Helena, Calif.
Antonio Moramarco: Office and winery.....	Cupertino, Calif.
Mount Tivy Winery: Office, winery, and fruit distillery.....	St. Helena, Calif.
Muscat Cooperative Winery Association: Office, winery, and fruit distillery.....	740 Yale St., Los Angeles, Calif.
Muther Wine Co., Fred Muther, proprietor: Office and storeroom.....	Post Office Box 535, Reedley, Calif.
Napa & Sonoma Wine Co.: Office and storeroom.....	Route 2, Box 61, Kingsburg, Calif.
Napa Valley Co-Operative Winery: Office, winery, and fruit distillery.....	131 Franklin St., San Francisco, Calif.
Winery.....	530 Folsom St., San Francisco, Calif.
Neuchatel Vineyard: Office and winery.....	St. Helena, Calif.
Antonio Nonini: Office and winery.....	Washington and Grant Sts., Calistoga, Calif.
Northern Senoma Wines, Inc.: Office and storeroom.....	Route 3, Box 226, Los Gatos, Calif.
Novitiate of Los Gatos: Office, winery, and fruit distillery.....	Route 9, Box 457, Fresno, Calif.
Storeroom.....	Geyersville, Calif.
Olbert & Son: Office and winery.....	College Ave., Los Gatos, Calif.
Old Mill Winery, Alfred Domingos, proprietor: Office and winery.....	Stevens Creek Rd., Cupertino, Calif.
Old St. Helena Winery: Office and winery.....	Route 1, Highland, Calif.
Storeroom.....	St. Helena, Calif.
Original Old King Cole Wine Co.: Office and winery.....	Main St. and Charter Oak Ave., St. Helena, Calif.
	397 Templeton Ave., Daly City, Calif.
	470 Pacific Ave., San Francisco, Calif.

Active members, as of Oct. 1, 1943, of Wine Institute, San Francisco, Calif.—Con.

Pacific Coast Brands, Ltd.: Office and winery.....	2700 18th St., San Francisco, Calif.
Winery.....	1302 South Aurora St., Stockton, Calif.
Pacific Wines, Inc.: Office, winery, and fruit distillery.....	218 North Ave. 19, Los Angeles, Calif.
Padre Vineyard Co.: Office.....	845 North Alameda St., Los Angeles, Calif.
Winery and fruit distillery.....	429 East 8th St., Cucamonga, Calif.
A. Pagani: Office, winery, and fruit distillery.....	Glen Ellen, Calif.
Pagani Bros., Regina Pagani, proprietor: Office and winery.....	Box 44, Kenwood, Calif.
A. Perelli-Minetti & Sons: Office, winery, and fruit distillery.....	Box B, Delano, Calif.
Petri Wine Co.: Office and storeroom.....	901 Battery St., San Francisco, Calif.
Winery and fruit distillery.....	Post Office Box 112, Escalon, Calif.
Winery.....	Forestville, Calif.
New York office.....	445 Exterior St., New York, N. Y.
Chicago office.....	3940 South Calumet Ave., Chicago, Ill.
L. Poca & Sons: Office and winery.....	Rural Free Delivery 1, Box 231, Calistoga, Calif.
Puccinelli Vineyards: Office and winery.....	Route 1, Box 224, Los Gatos, Calif.
Ettore Quaglia: Office and winery.....	Post Office Box 434, Pleasanton, Calif.
Rancho del Oro Winery, John Y. Bare, proprietor: Office, winery and fruit distillery.....	Rural Free Delivery 2, Box 108, Lodi, Calif.
Randall Wine Co.: Office, winery, and fruit distillery.....	Post Office Box 287, Burbank, Calif.
Paul Rhodes Winery: Office and winery.....	2968 Castro Valley Blvd., Hayward, Calif.
Riehr Vineyards, Anne F. R. Howe, proprietor: Office and winery.....	Post Office Box 18, Irvington, Calif.
Roma Wine Co.: Main office, winery and fruit distillery.....	Post Office Box 1592, Fresno, Calif.
Wineries and fruit distilleries.....	Lodi, Calif.
Winery.....	Box 303, Kingsburg, Calif.
San Francisco office.....	Hudson and Front Sts., Healdsburg, Calif.
Los Angeles office.....	582 Market St., San Francisco, Calif.
Eastern office and winery.....	3337 1/2 Wilshire Blvd., Los Angeles, Calif.
Chicago office.....	601 West 26th St., New York, N. Y.
Ruby Hill Vineyard Co., Ernest Ferrario, proprietor: Office and winery.....	333 North Michigan Ave., Chicago, Ill.
St. George Winery: Office, winery, and fruit distillery.....	Pleasanton, Calif.
Los Angeles office and storeroom.....	Post Office Box 326, Fresno, Calif.
Sanchez Winery, Hipolito Sanchez, proprietor: Office, winery, and fruit distillery.....	1711 North Spring St., Los Angeles, Calif.
San Gabriel Vineyard Co.: Office, winery, and fruit distillery.....	550 North Turner Ave., Cucamonga, Calif.
Sanger Winery Association: Office, winery, and fruit distillery.....	636 South Putney Ave., San Gabriel, Calif.
Santa Anita Vineyards: Office, winery, and fruit distillery.....	Snyrna and North Aves., Sanger, Calif.
	Post Office Box 95, Cucamonga, Calif.

Active members, as of Oct. 1, 1945, of Wine Institute, San Francisco, Calif.—Con.

Santa Fe Vintage Co.: Office, winery, and fruit distillery.	1700 North Spring St., Los Angeles, Calif.
Santa Rosa Winery, C. B. Meda, proprietor:	
Office.....	1900 Union St., San Francisco, Calif.
Winery.....	Kawana Ave., Santa Rosa, Calif.
Sebastiani Wineries, Samuele Sebastiani, proprietor:	
Office, winery, and fruit distillery.....	Post Office Box 549, Sonoma, Calif.
Winery and fruit distillery.....	Post Office Box 67, Woodbridge, Calif.
Shewan-Jones, Inc.:	
Main office.....	85 2d St., San Francisco, Calif.
Winery and fruit distillery.....	Post Office Box 730, Lodi, Calif.
Eastern office.....	120 Broadway, New York, N. Y.
Simi Wineries:	
Office.....	Care of Parrett & Co., 320 California St., San Francisco, Calif.
Winery.....	United States Highway No. 101, Healdsburg, Calif.
Store room.....	65 Front St., Healdsburg, Calif.
Walter Sink: Office and winery.....	Cloverdale, Calif.
Solano Wine Growers: Office, winery and fruit distillery.....	Cordelia, Calif.
Sonoma County Cooperative Winery: Office and winery.....	Windsor, Calif.
Sunny Crest Winery: Office, winery, and fruit distillery.....	Kent St., Elk Grove, Calif.
Sunny St. Helena Wine Co.:	
Office and winery.....	902-908 Main St., St. Helena, Calif.
Winery.....	St. Helena, Calif.
Store room.....	1621 Spring St., St. Helena, Calif.
Sunnybrook Winery, Joseph Butala, Jr., proprietor: Office and winery.....	Rural Free Delivery 2, Grayson Ave., St. Helena, Calif.
Sunnyside Winery: Office, winery, and fruit distillery.....	Post Office Box 545, Fresno, Calif.
Sunset Brandy Co., Inc.:	
Office.....	220 Ryland St., San Jose, Calif.
Fruit distillery.....	110 Bay St., Alviso, Calif.
Battista Tripoli: Office and store room.....	1616 Main St., St. Helena, Calif.
Chapin F. Tubbs: Office and winery.....	Rural Free Delivery Box 139, Calistoga, Calif.
Tulare Winery Co.: Office, winery, and fruit distillery.....	Post Office Box 148, Tulare, Calif.
Valliant & Soas Vineyards, Inc.:	
Wineries.....	650 2d St., San Francisco, Calif.
Vercell Bros. Wine Co.: Office and winery.....	Post Office Box 127, Hollister, Calif.
Nicholas G. Verry: Office and winery.....	2191 Laguna Rd., Santa Rosa, Calif.
Village Winery, Inc.: Office, winery, and fruit distillery.....	Route 2, Box 37, Healdsburg, Calif.
Wente Bros.: Office and winery.....	400 1st St., Parlier, Calif.
West Coast Vintners Co.: Office and winery.....	Box 216, Eacelon, Calif.
Wildwood Vineyards & Winery, Arthur Kunde, proprietor: Office and winery.....	Teala Rd., Livermore, Calif.
R. C. Williams California Wineries, Inc.:	
Office.....	855 Sansome St., San Francisco, Calif.
Winery.....	Route 1, Box 30, Glen Ellen, Calif.
Woodbridge Vineyard Association: Office, winery and fruit distillery.....	610 5th Ave., New York, N. Y.
Wooden Valley Winery, Salvatore Brea, proprietor: Office and winery.....	Rural Free Delivery Box 96, Livermore, Calif.
George Zaninovich: Office and fruit distillery.....	Route 1, Box 1490, Elk Grove, Calif.
	Brea Ranch, Wooden Valley Rd., Buena, Calif.
	Route 1, Box 146, Orange Cove, Calif.

At the board of directors meeting on November 29, 1943, the following wineries were elected to membership, all effective December 1st:

K. Arakelian, Inc., Route 3, Box 55, Madera, Calif.
 E. & J. Gallo Winery, Post Office Box 1173, Modesto, Calif.
 Chateau Montelena, Inc., Calistoga, Calif.
 Joseph A. Varozza, St. Helena, Calif.
 Franzia Bros. Winery, Route 1, Box 124, Ripon, Calif.
 Vadon Winery, Cloverdale, Calif.
 Pellegrini Bros. Winery, 2506 Third Street, San Francisco, Calif.
 Santa Nella Vineyards, Guerneville, Calif.
 Solis Winery, Route 1, Box 110, Gilroy, Calif.
 Officers elected at the annual meeting are as follows:
 Herman L. Wente, Livermore, president.
 J. B. Cella, Fresno, first vice president.
 John B. Ellena, Etiwanda, second vice president.
 Edmund A. Rossi, Asti, third vice president.
 Louis Petri, Forestville, treasurer.
 H. A. Caddow, San Francisco, secretary-manager.
 A. R. Morrow, San Francisco, chairman of board of directors.

Following is the board of directors:
 Directors at large—John B. Ellena, Etiwanda; James L. Vai, Padre Vineyard Co., Los Angeles; Albert M. Paul, California Products Co., Fresno; Felix W. Salmira, Larkmead Vineyards, St. Helena.
 District 1: Nicola Giudili, Italian Vineyard Co., Guasti; Joseph A. Piuma, Pacific Wines, Inc., Los Angeles; and L. A. Weller, Garrett & Co., Inc., Cucamonga.

District 2: J. B. Cella, Roma Wine Co., Fresno; Charles Dubbs, Alta Winery & Distillery, Dinuba; S. W. Harkleroad, A. Mattel, Fresno; Harry Hitzl, Cameo Vineyards Co., Fresno; S. A. Lines, Sanger Winery Association, Sanger; Calvin L. Russell, Tulare Winery Co., Tulare; A. Setrakian, California Growers Wineries, Lodi.

District 3: Dino Barengo, Acampo Winery & Distilleries, Inc., Acampo; Col. Walter E. Garrison, Del Rio Winery, Lodi; Lee Jones, Shewan-Jones, Inc., Lodi; L. K. Marshall, Bear Creek Vineyard Association, Lodi; Reuben P. Rott, East-Side Winery, Lodi; W. A. Spooner, Community Grape Corporation, Lodi; Fred Snyder, Woodbridge Vineyard Association, Elk Grove.

District 4: Louis Petri, Petri Wine Co., Forestville; Edmund A. Rossi, Italian Swiss Colony, Asti; Walter Sink, Cloverdale; J. H. Bree, California Grape Products Co., Ukiah.

District 5: Charles T. Beringer, Beringer Bros., Inc., St. Helena; John Daniel, Jr., Inglenook Vineyard Co., Rutherford; Robert Mondavi, Sunny St. Helena Wine Co., St. Helena.

District 6: Robert L. Concannon, Concannon Vineyards, Livermore; A. R. Morrow, Fruit Industries, Ltd., San Francisco; Herman L. Wente, Wente Bros., Livermore.

Mrs. Fernando de Latour, Beaulieu Vineyard, Rutherford; Paul A. Tarpey, Oakland; John Q. McClure, Los Angeles; Victor Repetto, Delano; and Claus Mangels, Cordelia, were elected honorary directors.

WINE INSTITUTE,
 San Francisco, January 21, 1944.

MR. FLOYD J. MATTICE,
 Chief Counsel, Senate Judiciary Committee,
 Washington, D. C.

DEAR MR. MATTICE: The committee requested certain information which I have obtained from our head office in San Francisco.

(I) WAS PRODUCTION BOARD STILL REMOVAL PROGRAM

On March 10, 1942, there were 94 active fruit distilleries in California with 145 stills. We have no exact knowledge of the actual number of stills shipped out of the State under the program, nor of the firms that actually made the shipments; our best information is that the number shipped was around 30 or somewhat less. Exact information on this point could be obtained either from the War Production Board or from the Defense Plant Corporation.

Our San Francisco office advises that, to the best of their knowledge, no fruit distiller was forced out of business as a result of the program, but naturally the distilling capacity of the industry was reduced. As a rough guess, they would say

the total distilling capacity was reduced by about 20 percent. In this connection, we are referring to the total potential capacity of all existing stills. These stills are not always actually in use during the vintage season. For example, our records show that, in the vintage season of 1941, of 145 stills, 108 were in actual operation, 24 were known to be inactive, and we had no definite information on the use of the remaining 13 stills.

(2) MEMBERSHIP AND DIRECTOR ELECTIONS OF WINE INSTITUTE

We have previously furnished the committee with a list of the names of the members. Their relationship to the total number of wineries in the State is shown in the following break-down:

	Winery companies	Operating
State total.....	303	460 bonded wineries. 23 bonded storerooms. 107 fruit distilleries. 152 bonded wineries. 12 bonded storerooms. 75 fruit distilleries.
Wine Institute.....	164	

As to method by which the board of directors is elected by the membership, our San Francisco office has furnished me a statement which, I believe, is fully self-explanatory and which I am attaching.

(3) FINANCIAL DATA ON FRUIT INDUSTRIES, LTD.

We have referred the committee's request to the company and they will get in touch with you direct.

I believe this covers all the points on which further information was desired by the committee.

Sincerely yours,

WINE INSTITUTE,
EDWARD W. WOOTTON.

The board of directors of Wine Institute are elected by the members of Wine Institute. Four of said directors are directors at large, 1 elected from southern California, which is the territory south of the Tehachapi Mountains; 1 from central California, which is that part of the State north of the Tehachapi Mountains, up to and including the northern boundary of the base meridian; 1 from northern California, which is that part of the State north of the base meridian; and 1 at large, without reference to geographical location. The other 27 directors are elected from districts as follows:

District No. 1, known as the southern California district, and including the counties of San Bernardino, Santa Barbara, Ventura, Los Angeles, Orange, Riverside, San Diego, and Imperial, three directors.

District No. 2, known as the southern San Joaquin district, and including the counties of Kern, Kings, Tulare, San Luis Obispo, Fresno, Madera, seven directors.

District No. 3, known as the northern San Joaquin and Sacramento district, and including the counties of San Joaquin, Calaveras, Sacramento, Yolo, Placer, Sutter, Yuba, Butte, Tehama, Glenn, Colusa, Amador, Merced, and Stanislaus, seven directors.

District No. 4, known as the northern coast district, and including the counties of Mendocino, Lake, Sonoma, Humboldt, and Marin, four directors.

District No. 5, known as the central northern coast district, and including the counties of Napa and Solano, three directors.

District No. 6, known as the southern coast district, and including the counties of Contra Costa, Alameda, Santa Clara, San Mateo, Santa Cruz, San Benito, Monterey, and San Francisco, three directors.

"At each annual meeting of members, each district as above designated, from its own membership nominates and elects the number of directors allocated to said district. They also are entitled to vote for the four directors at large. The four directors at large are nominated by a nominating committee of six members of Wine Institute, one from each district. Nominations presented by this Committee, however, are not restrictive, and members at the meeting may submit any other names they may desire.

Voting rights are limited to active members of the institute. Each active member is entitled to one vote by virtue of his membership and in addition thereto to one additional vote for each \$10 represented by the total annual dues of said member.

The annual dues of each member are in such proportion of the total annual budget as his total annual volume of business bears to the total volume of business of all active members. Equal consideration is given to the tonnage of grapes crushed and to the volume of sales, that is, the total crush of all members, based on a tonnage basis, supports one-half of the budget and the total volume of sales of all members supports the remaining one-half of the budget.

As to proxies, each member has the right to vote by proxy. The part proxies play in voting varies from year to year. In some years the number is insignificant. In other years there are quite a few. In the main it might be said that proxies do not play any major part and would not change any elections that have been held.

The CHAIRMAN. While you have that memo in front of you, will you tell us if any of the new ones taken in the colored sheets are representatives of the distillers?

Mr. WOOTTON. No, sir; and they range from small to quite large firms.

Senator FERGUSON. May I ask a few questions at this time, Mr. Chairman?

The CHAIRMAN. Go right ahead, Senator Ferguson.

TESTIMONY OF EDWARD W. WOOTTON—Resumed

Senator FERGUSON. How many of the wine companies do the Big 4 control, actual companies, and by name?

Mr. WOOTTON. Rather than by plants, by companies, that is, one firm holding several plants:

National Distillers Products Corporation has the Italian Swiss Colony and Shewan Jones, making two;

Schenley Distillers Corporation has Cresta Blanca and Roma Wine companies and also Schenley Distilleries, Inc., which I understand is primarily a brandy production plant;

Seagram has two, Paul Masson, Inc., and Mount Tivy Winery. Senator FERGUSON. This is where they have absolute control, owning the company?

Mr. WOOTTON. I assume that that is the relationship. I have always understood so. What the exact details are, I have no idea.

Hiram Walker has one, Valliant & Sons Vineyards, which was made up from two preexisting small firms, San Benito Winery and R. Martini Wine Co.

Senator FERGUSON. Do each one of these belong to the association that you are representing? Do they have membership in your institute?

Mr. WOOTTON. Leaving out the Hiram Walker acquisitions for a second, all the firms listed have always been members of the institute, so far as I have known.

Senator FERGUSON. Does that mean they have a membership and they get one vote, or do they have as many votes as they have companies?

Mr. WOOTTON. I think the voting is by companies. I will check that when I try to get that other information on how the directors are elected.

Senator FERGUSON. How many members did you say the institute had?

Mr. WOOTTON. Approximately 170 firms, each of which has one or more wine plants. The total number of wine plants would be about 220.

Senator FERGUSON. When you say "firms" you mean "companies"?

Mr. WOOTTON. Yes.

Senator FERGUSON. What percentage of the total of wine is in the four big companies?

Mr. WOOTTON. By wine, you mean wine inventories as of a given date?

Senator FERGUSON. Yes.

Mr. WOOTTON. On table 7 of the original exhibit, the inventories as of December 31, 1942, were, for the entire State, 122,971,174 of which all the distillers listed there, their holdings totaled 31,409,478 or 25.54 percent.

Senator FERGUSON. That is 25 percent. What would you say about the dollar values under the O. P. A. regulation?

Mr. WOOTTON. I could not give you that figure. You see, sir, some wine will sell in bulk. You never intend to bottle it. That would have a lower dollar value per gallon of wine.

Senator FERGUSON. Do the "Big Four" produce that kind of wine or do they bottle all of it?

Mr. WOOTTON. I think they mostly bottle the wine.

Senator FERGUSON. So, their volume in actual sales is much more than their volume, per gallon?

Mr. WOOTTON. Yes. The value of a gallon of wine in a finished case of wine all packed up and sold is more than a dollar. That is what I understand your question to be?

Senator FERGUSON. In other words, their percentage in dollars is much more than 25 percent?

Mr. WOOTTON. I see what you mean? I did not get the relationship between that and the nondistillery holdings.

I think it would average out somewhere near, but I do not know because I do not know what their prices are or the proportions of stock moving at certain prices. We have nothing that would enable you to gage that, sir.

Senator FERGUSON. Just what do you do here in Washington?

Mr. WOOTTON. My work is primarily a contact with Government departments, in connection with furnishing them with information that they ask for, on which they can base or line up the general outlines of a regulation; usually the details on specific questions they get from trade people themselves, and furnishing the trade with information about the regulations.

Senator FERGUSON. You really should have all the facts and the figures?

Mr. WOOTTON. Not on the values and prices, sir. As you know, sir, that is a bad subject under the antitrust laws.

Senator FERGUSON. You mean by that that you avoid having data that would violate the antitrust laws?

Mr. WOOTTON. We do not interest ourselves in that type of data, sir. We stay away from it. It is not part of our proper function.

Senator FERGUSON. How can you give the agency any data if you do not have that information?

Mr. WOOTTON. After they have gotten to the point, as for example the Office of Price Administration, they get their data from industry committees. Our concern is primarily in seeing, for example of the

various kinds of wine that are sold, that O. P. A. has not left out a particular kind somebody in the industry committee forgot to tell them about. That very often happens. They do not make it themselves, so they do not remember it.

Senator FERGUSON. How large an institution is this institute? What is its annual budget?

Mr. WOOTTON. I do not know, sir.

Senator FERGUSON. You do not have that?

Mr. WOOTTON. No; I do not. You see, I do not have anything to do with the financial side. That is all done in San Francisco where our principal office is.

Senator FERGUSON. Is there anyone else here in Washington besides you?

Mr. WOOTTON. I have two girls in my office.

Senator FERGUSON. But you have all the data?

Mr. WOOTTON. Yes.

The CHAIRMAN. In order to get it straight, you said Schenley, I think, had three as to companies?

Mr. WOOTTON. Three as to companies, yes, sir.

The CHAIRMAN. But they have 11 as to different plants, do they not?

Mr. WOOTTON. That is correct, sir.

Senator FERGUSON. So at the present time, as it stands, the Big 4 distillers own 25 percent of the wine production of America or at least of California?

Mr. WOOTTON. That is approximately correct. Their participation in the industry is approximately between 20 and 25, and as to the inventories on the date mentioned it is 25.

Senator FERGUSON. Yes. That was acquired between what dates?

Mr. WOOTTON. I have given the dates of the acquisitions of the individual firms. As I say, they run from 1938 through 1943. The majority of the acquisitions took place in the fall of 1942.

Senator FERGUSON. When did you go with the institute?

Mr. WOOTTON. I went with the institute in November, early November 1941.

Senator FERGUSON. You were there before the majority was purchased?

Mr. WOOTTON. Before this happened; yes.

Senator FERGUSON. What did you say you did before you went with the institute?

Mr. WOOTTON. In 1934, I entered the legal division of the Federal Alcohol Control Administration. That was subsequently abolished when the National Industrial Recovery Act was held unconstitutional and a special statute set up a new body, the Federal Alcohol Administration, which was subsequently abolished by Executive order in June 1940, and its functions transferred to the Alcohol Tax Unit of the Bureau of Internal Revenue. I went over there and remained with them for a little over a year.

Senator FERGUSON. So you left the Alcohol Tax Unit to go with the present institute?

Mr. WOOTTON. That is correct, sir.

Senator FERGUSON. What is your title, director?

Mr. WOOTTON. Where I am now?

Senator FERGUSON. Yes.

Mr. WOOTTON. I guess, manager of the office.

Senator FERGUSON. You have the data on who really controls the institute in California?

Mr. WOOTTON. No, sir. I have the list of the members and of the board of directors.

Senator FERGUSON. Sometimes a list of membership does not designate who really has control.

Mr. WOOTTON. From what I have seen and known of the industry, a great majority of the members, or a good strong minority of the members from all the different firms, appear to be quite active in participating in their jobs as directors and that sort of thing.

Senator FERGUSON. Who, here in Washington, helps to fix the prices; that is, goes over to the O. P. A. to convince them as to what the price should be on wine and grapes? Do you do that?

Mr. WOOTTON. As far as anybody does it, I would do it, but, as I say, I never argue for any particular level or any price for a particular firm.

It is just a general outline of the regulations.

Senator FERGUSON. You must understand the situation.

How can you make a wine to sell at the O. P. A. present prices when it is based on a \$30.30 grape and they pay \$75 to \$77 for the grapes? You must know just how they do that.

Mr. WOOTTON. I think this morning I said that, as far as certain flat prices were concerned, which are set forth in the regulations, I do not see how it is possible to do that. It might be possible at somewhat under the grape figures you have been talking about, but certainly not as the prices you mentioned.

Senator FERGUSON. You told us they did even buy the raisin grapes from the Surplus Commodity Corporation?

Mr. WOOTTON. Yes. The reason anybody would buy grapes this year was that they were so short and you had to get the grapes.

Senator FERGUSON. You are short, but even being short you cannot make a profit if you pay too much for your product.

Mr. WOOTTON. That is true, but, of course, as I said, those wines have not, in the most part, come on the market and they are not ready for sale. The present business is being conducted on the old inventory.

Senator FERGUSON. Do I understand you anticipate—

Mr. WOOTTON (interposing). A lot of trouble.

Senator FERGUSON. Do I understand you anticipate you will get the O. P. A. to give you a higher price because you paid more for the grapes or that the public will pay the price?

Mr. WOOTTON. No, sir. We will go to the second class of prices, as I said, in the order, sir. That is the price of particular brands that were in existence in March 1942. Those prices are still authorized.

Senator FERGUSON. And will those prices on the wines that the large companies make be such that you can sell at a profit and pay \$75 a ton for grapes?

Mr. WOOTTON. Many of the wine companies out there had several different brands selling at different prices back in March. The higher price brands of a number of the firms would sustain some of the purchases on what you might call unusual prices.

Senator FERGUSON. Will you get for us what firms have those brands that they can sell and afford to pay \$75 a ton for grapes?

Is it only members of the Institute?

Mr. WOOTTON. No, sir, this is the whole trade.

Might I make a suggestion on that particular thing, sir?

The O. P. A. has a price-filing system, and they have break-downs on these various prices. I believe their filing forms call for reports on the prices of March brands; the prices of new brands created between March and the present time, and also another form for new brands that they are going to put on the market from now on. They have that in their files, and the figures on them, and they must have tabulations on those.

Senator FERGUSON. I do not understand yet, how you are going to be able to sell and make a profit. Do you intend to get the O. P. A. to raise its prices so you can sell and make a profit on these high-price grades?

Mr. WOOTTON. Under the law, I do not think they can raise that price. As I say, one out of three having a brand and the second out for you is to mix in this higher-price new wine with your older wines that came from lower-price grades and average it out and then hope.

Senator FERGUSON. Have you any plan at the present time as to how you are going to do it?

Mr. WOOTTON. No, sir; frankly we have not. There is going to be an advisory committee meeting with the O. P. A. sometime within the next couple of months, and undoubtedly that question will be brought up and O. P. A. will be asked if they can give any relief, partially or wholly.

Senator FERGUSON. How many dollar-a-year men does the institute now have in the Government?

Mr. WOOTTON. None, sir.

Senator FERGUSON. How many are over in the O. P. A. that have connections with the companies that are in the institute?

Mr. WOOTTON. None, sir.

Senator FERGUSON. There are no people who have ever been connected with these wine companies over in O. P. A.?

Mr. WOOTTON. No, sir.

Senator FERGUSON. Did you have any?

Mr. WOOTTON. No, sir.

Senator FERGUSON. Do you know about the distillers, how many they have, either dollar-a-year or regular salaried men?

Mr. WOOTTON. They have had between one and three, I think, from time to time, in connection with the working out of some of these regulations.

Senator FERGUSON. That is, men who had formerly been employed by the Big Four distillers?

Mr. WOOTTON. There was one consultant. The only connection of any former individual company connection of which I have heard, there was one consultant, I think, who was connected with a firm that is not in the Big Four.

Senator FERGUSON. Who was that consultant?

Mr. WOOTTON. Mr. Bahnzoff, I think.

Senator FERGUSON. What was his connection, and with what company?

Mr. WOOTTON. I think he was with Frankfort.

Senator FERGUSON. The distillers in Kentucky?

Mr. WOOTTON. Yes.

Senator FERGUSON. But the wine people did not have anyone in?

Mr. WOOTTON. No, sir.

Senator FERGUSON. That is all I have at the present.

Senator MURDOCK. If Senator Ferguson is through, I would like to ask you to elaborate a little on the statement you made that you anticipated a lot of trouble.

Mr. WOOTTON. Well, if the law will not allow O. P. A. to reflect in its wine prices more than a certain amount for grape costs and the wine made from grapes which have cost a considerably greater amount since coming on the market and you have not got, as I said, any particular way of blending it in with the old wines, maybe you are out of old inventory, then you are in a bit of a jam.

Senator MURDOCK. Is that what you meant, when you said you anticipated a lot of trouble in getting O. P. A. to break the law? You did not mean that, did you?

Mr. WOOTTON. No, sir.

Senator MURDOCK. You said you anticipated a lot of trouble. What did you mean?

Mr. WOOTTON. Well, it is an impasse. You cannot sell. You have got to hold on to it. What are you going to do?

Senator MURDOCK. Isn't that what you meant?

You did anticipate considerable trouble with the O. P. A. in working the thing around where you could make wine at the profit at the prices paid for the grapes?

That is what you meant, is it not?

Mr. WOOTTON. Yes; you could not sell it at a profit.

Senator MURDOCK. You would have considerable trouble working this around through O. P. A. channels so you could do that?

Mr. WOOTTON. No, sir.

Senator MURDOCK. Is that not what you meant? What did you mean when you said you anticipated a lot of trouble?

Mr. WOOTTON. That you would run into the impasse that you get by having the actual price paid on one side and the law on the other. What do you do? I do not know what you do then either.

Senator MURDOCK. It was not your plan to ask O. P. A. to break the law?

Mr. WOOTTON. No, sir.

Senator MURDOCK. But you did anticipate a lot of trouble in working the thing around where a profit could be made out of the grapes?

Mr. WOOTTON. No, sir. I do not see how a profit could be made. That is what I say.

Senator MURDOCK. It is difficult for me to understand what you meant when you said you anticipated a lot of trouble.

Mr. WOOTTON. Well, you are just stuck.

Senator MURDOCK. If you meant just take the law as it is and knowing what the law is, you knew you could not get by, you would not have any trouble at all, would you, if you wanted to conform to the law?

Mr. WOOTTON. Well, people who have gotten stuck in conformity with the law are in trouble. That is what I mean. They are definitely in trouble.

Senator MURDOCK. What is the largest independent winery in California?

Mr. WOOTTON. On table 2 of the exhibit which I filed in the beginning, I listed a more or less arbitrary list of about 18 wineries, taking 3,000,000 gallons as being the dividing line between large and medium

or small on the other side. I have listed their connections with the Big Four. Of the 180 on the list, 3 are connected with the Big Four, namely, Cresta Blanca Wine Co. and also Roma Wine Co. with Schenley and the other is National which has the Italian Swiss Colony. Those are the largest firms in the State.

Senator MURDOCK. What is the largest independent winery in California?

Mr. WOOTTON. Fruit Industries, which is a group, a cooperative group of cooperative wineries, is the largest not connected with the distillers.

Senator MURDOCK. Do you know what the approximate capitalization is?

Mr. WOOTTON. I do not know that. Their combined storage capacity is 16,000,000 gallons.

Senator MURDOCK. Can you give the approximate capitalization of that company or cooperative?

Mr. WOOTTON. I can ask them to furnish it to the committee, if that is agreeable, sir.

Senator MURDOCK. All right.

Do you know what the total sales volume in wine gallonage is per year?

Mr. WOOTTON. In 1942 the total sales of California wine—

Senator MURDOCK. No; I wanted to confine it to this independent.

Mr. WOOTTON. I do not actually know, sir. My guess is somewhere around three or four million gallons a year of sales.

Senator MURDOCK. Can you furnish that information for us?

Mr. WOOTTON. Yes. You want the capitalization?

Senator MURDOCK. The gallonage of wine sold, and also the dollar value of that wine.

Mr. WOOTTON. The dollar value.

Senator MURDOCK. Are the products of this large independent marketed nationally?

Mr. WOOTTON. Yes, sir.

Senator MURDOCK. Who comprises its wholesalers or distributors; do you know?

Mr. WOOTTON. I do not know that, sir.

Senator MURDOCK. Can you furnish that, sir?

Mr. WOOTTON. I can ask them to submit it to you.

Senator MURDOCK. As a general rule, are the wine wholesalers distributors for whisky?

Mr. WOOTTON. Under the twenty-first amendment, each State has its own specific set-up, with its own State permittees. Usually products that are moving into the State go first to a general wholesaler who will then redistribute it to other State wholesalers within the State, who, in turn, pass it on to retailers.

As to the first, the fellow who first takes it into the State, he usually handles both wines and spirits of various companies and various brands.

Senator MURDOCK. And liquors or whiskies, too?

Mr. WOOTTON. Yes; I include that. The smaller wholesalers who may sometimes devote themselves exclusively to one or the other, but as a general rule they take both.

Senator MURDOCK. Would it be a fair statement to say that liquor wholesalers mostly handle brands of whiskies, produced by Hiram

Walker, National Distillers, Schenley Distillers, or Seagram's, if you know?

Mr. WOOTTON. I do not know the volume of sales of any of those firms, sir, on that; so, I do not think I could estimate that.

Senator MURDOCK. Is it a fair assumption to assume that the wholesaler distributors handle wine produced by independent wineries, would be influenced by the fact of distillers acquiring wineries?

Mr. WOOTTON. I do not think I can answer that one either, sir. As I say, I know very little about this distribution, merchandising. I imagine when you get changes in ownership of a brand, that you may get rearrangements of outlets of distribution because usually there is some kind of a contractual understanding between the personalities involved, but to what extent that has actually happened, I would not have any way of knowing.

The CHAIRMAN. Let me read you from this letter. I picked up at random two letters and here is one evidently from a laboring man in San Francisco, dated December 28, 1943:

Reading of your investigation on the liquor situation of which whisky seems to get the headlines, may I ask that attention be given to the principal food drink, claret?

Since the big distillery companies bought into the wineries out here, the price of claret has skyrocketed. Where fifths of a good claret could be bought for 25 cents plus 1-cent sales tax, it has now gone up to 2½ to 300 percent or 64 cents a bottle to over 75 cents.

Many of us have had claret at meals since childhood, with water for the children as with the children in France with no drunkards. Of course, high-priced wines have also gone up, but with claret that we paid 75 cents a gallon for a few months ago, \$1 2 months ago, it is now \$1.90 to to \$3.25 a gallon.

Is that true?

Mr. WOOTTON. I do not know the prices. I do know that within the last 2 years, the price of wine has naturally gone up. As I believe I explained this morning, in 1942 the average price of grapes was \$30.30. In 1941, it was \$19.90. I have not in mind the exact figures of the preceding years, but they went along something like \$15 and \$12, and grape costs are a major item in wine costs.

The CHAIRMAN. You do not think the fact that the four big distilleries of this country, having a stranglehold on the wine industry in California has anything to do with those increased prices then?

Mr. WOOTTON. No, sir.

The CHAIRMAN. All right.

Here is a letter from a distributor, from the other end of the line, and it answers Senator Murdock's question of this morning.

The whisky-distilling interests are supposed to have converted all their plants exclusively to manufacturing alcohol for the war effort. This is not true of all these whisky distilling interests as they have absorbed these wineries which they have purchased for the purpose of making high-proof alcohol distilled from fruits. Naturally, after making this alcohol they have used the latter for blending in with their whiskeys. If alcohol which is distilled from grain and sugar is suitable for ammunitions, alcohol made from fruits ought to be good for the same purpose.

Is that true?

Mr. WOOTTON. The alcohol is just as good.

The CHAIRMAN. Are the distillers making that alcohol distilled from fruits with their old whiskeys instead of neutral spirits?

Mr. WOOTTON. I believe I told you as much as I knew about that this morning, sir, namely, that it could be done. The actual extent to which it has been done is something that must be available on the records of everybody concerned.

The CHAIRMAN (continuing):

Since these whisky distilling interests seem to have the entire supply of wine for their own monopolistic interests, we, the small independent distributors, are forced out of business. For example: We have been buying wine from the Vesuvio Vintage Co. of Los Angeles, Calif., a small winery.

Do you know that company?

Mr. WOOTTON. I have heard of the name, sir, but I do not know it.

The CHAIRMAN (continuing):

Now, due to the fact that the Office of Price Administration has just placed a low price on finished wines, this winery as many others have, more than gladly sold out their entire plant and inventory to the Schenley Distilling interests at a very attractive price.

We get letters similar to that from all over the State of California. Is it true?

Mr. WOOTTON. There have been sales of plants and inventories.

The CHAIRMAN. It has practically put the little winery out of business. It cannot compete with these big concerns, is that not right? You are a wine man. I am not. You ought to be able to answer yes or no to that.

Mr. WOOTTON. I have not seen any signs of that yet, sir. I admit where size is involved, it always has great potentialities of either evil or, sometimes, good; but what actually happened, as these transactions took place so short a time ago, you do not have anything to go on so that you can say this happened or that happened.

Senator FERGUSON. Are you not in a position to say that the O. P. A. prices have helped the big distilleries in buying up the wineries in California? Is that not a true statement of facts written in that letter? You would know that, being in the wine business, and head of this institute here.

Mr. WOOTTON. Anybody who has a lot of money, sir, can pay what he wants as long as he buys something there is no ceiling on.

Senator FERGUSON. Where there is a lack of money, considering what he has to pay for the product that he makes his wine from and he is compelled to sell, therefore the man who has money and wants to get a monopoly for the future can afford to go in and buy.

Mr. WOOTTON. The sale of bulk wine where a company has only bulk wine outlets and the ceiling is too low to permit a profit on the operation, he either has to hold back and do nothing or else.

Senator FERGUSON. Go out of business or sell to some competitor?

Mr. WOOTTON. That is perfectly correct.

Senator FERGUSON. Is that not what has happened?

Mr. WOOTTON. The bulk-wine ceilings are very low; there is no question about that, compared to actual costs.

Senator FERGUSON. And the O. P. A. has been responsible for that?

Mr. WOOTTON. Presumably, that has been done under for law, I mean where this \$30.30 figure we are talking about is concerned.

Senator FERGUSON. Do you claim there is a statute saying that the O. P. A. has to fix prices on a \$30.30 basis?

You do not claim that, do you?

Mr. WOOTTON. \$30.30 is the legal minimum. It is my understanding that there are standing executive orders—

Senator FERGUSON. I am talking about a statute made by Congress.

Mr. WOOTTON. Yes; which permits ceilings to be set at higher than the legal minimum only on application up to—I guess, it is Judge

Vinson's office, and those are only granted in the case of certain products where production is essential for the war effort.

Senator FERGUSON. You were present, or you knew about the fixing of these prices. You knew they were fixing bulk wine at a very low price, is that not true?

Mr. WOOTTON. That is true, sir.

Senator FERGUSON. And the big interests were not interested in that proposition at all. They were interested in getting higher prices on the fifths, so-called; is that not true?

Mr. WOOTTON. On case goods?

Senator FERGUSON. Yes. Is that not a fact?

Mr. WOOTTON. I think everybody who had a good case goods ceiling under this individual March set-up expected to pay somewhat more than \$30.30 for his grapes, this last season. I do not think any of them expected the price to go to where it actually did. That is about the general line-up.

Senator FERGUSON. Here is what they have done, then. The small fellow, who made bulk wine, was put out of business. He could not sell. The big company comes along and buys his winery and then uses the same wine in a bottle and sells it at a high price.

Mr. WOOTTON. I would like to point out, sir, that this question of having an individual high legal ceiling was not necessarily to any size or type of firm. You will find that in cooperatives. You will find them in small commercials. You will find them in large commercials and in large cooperatives. The high March ceiling, the high March brand, is something that was scattered throughout the industry. There were some firms that did not have them.

Senator FERGUSON. What did the big distiller do that bought these small companies that are mentioned in this letter? What did they do with the wine? Did they close the plant down?

Mr. WOOTTON. The plants acquired by the National Distillers, two of the Italian Swiss Colony, and one for Shewan Jones, all operating. They operated continuously.

As to Schenley Distillers, Cresta Blanca Wine Co. has five properties here, one of which was the original Cresta Blanca property, and the additional properties, the one acquired from Colonial Grape Products Co. as operating before and, so far as I know, is still operating. The one acquired from Pacific Vineyard Products, and also the one acquired from Livermore Winery were taken, I believe, under a long-term lease of 5 years. I do not know whether they are being operated as wineries or being used as storage, whether they are using the tanks as storage.

Senator MURDOCK. May I just interrupt there to ask whether you know if they are being used for the distillation of fruit spirits?

Mr. WOOTTON. Every winery that makes dessert wine—you remember we discussed that this morning, the ports and the sherries—has a still with which he makes his neutral grape brandy that he puts in it. How much brandy he makes in that still and what he does with it is an individual company operation that I have no information about, sir. At the end of this year, statistically, something may show up in the general picture as to how much neutral grape brandy has been produced and where it probably went as a whole, but it is an individual company operation and there would be nothing available on that at this time.

Senator MURDOCK. I did not want to interrupt you, Senator Ferguson.

Senator FERGUSON. No; go ahead.

Senator MURDOCK. If you are through, I would like to ask this question: How long did you say you have been with the Wine Institute?

Mr. WOOTTON. A little over 2 years.

Senator MURDOCK. You have been in there about as long as the big distillers; is that right?

Mr. WOOTTON. I came in there about a year, almost a year before this happened.

Senator MURDOCK. Is not the very purpose of the Wine Institute to bring about in the United States a greater consumption of wine products?

Mr. WOOTTON. That is correct; sir.

Senator MURDOCK. And to further the best interests of the Wine Industry?

Mr. WOOTTON. That is correct; sir.

Senator MURDOCK. And is it not true that the consumption of wine has always been competitive with the consumption of hard liquor?

Mr. WOOTTON. Yes; for this reason: That the people in this country naturally tend to prefer spirits to other beverages.

Senator MURDOCK. And the very purpose of the Wine Institute has been, has it not, for a period of years to encourage a greater consumption of wine?

Mr. WOOTTON. It has, sir.

Senator MURDOCK. And because of that, it has been the purpose of the Wine Institute and the wineries, which are members of that institute to produce a better wine product?

Mr. WOOTTON. That is correct, sir.

Senator MURDOCK. And they have been interested in that for years, have they not, in California?

Mr. WOOTTON. Yes, sir.

Senator MURDOCK. The greater the consumption of wine in the United States, the lesser the consumption of liquor, is that not true?

Mr. WOOTTON. Possibly to some extent.

Senator MURDOCK. Is that not the very theory of the Wine Institute?

Mr. WOOTTON. Let me go back a bit, sir. The proper and ordinary uses of wine are not necessarily inconsistent, to any great extent, with the consumption of any other beverage. In this country people consume a great volume of beverages, both alcoholic and nonalcoholic.

Senator MURDOCK. You mean, then, that the consumption of hard liquor goes hand in hand with the consumption of good wine?

Mr. WOOTTON. If you can get people to understand how wine is used and like it, they will drink it, and I do not think it necessarily interferes to any great extent with their other drinking habits. The consumption of wine in this country, even when you get the comparatively good increase that we have had in the last few years, is still relatively small. It is only about three-quarters of a gallon per capita.

Senator MURDOCK. And the purpose of the Wine Institute has been to increase that, has it not?

Mr. WOOTTON. Yes.

Senator MURDOCK. Is it not the theory of your Wine Institute and the theory of your whole organization that the more wine that is

consumed, the less hard liquor will be consumed and the greater will be the market for your wine products?

Mr. WOOLTON. We are not interested in the sale of spirits. We would like to sell more wine.

Senator MURDOCK. You are interested, and I think we are in full agreement on that, in the consumption of good wine?

Mr. WOOLTON. I do not think we have ever taken the approach that you ought to stop drinking something else in order to drink wine.

Senator MURDOCK. I did not ask that, but you are interested in a greater consumption of wine, are you not?

Mr. WOOLTON. That is correct, sir.

Senator MURDOCK. Have you any information on this fact, that is, the ratio of the higher alcoholic content as to the lower alcoholic content wines since before the "Big 4" distilleries came into the picture?

Mr. WOOLTON. They came in in 1942 and we have not got, as I said, the break-down on the figures for 1943, as yet.

Senator MURDOCK. Do you mean to tell the committee, then, that you are not apprized of it?

Mr. WOOLTON. To tell you the details on the wine sales during 1943. Senator MURDOCK. You would not be at all surprised, would you, Mr. Woolton, to find that the percentage of your high alcoholic content wines has been very materially increased since the distilleries became a part of the wine industry?

Mr. WOOLTON. There has been a slight tendency towards increase of the proportion of table wines. It was noticeable, I think, first in about 1941 and appeared again in 1942. It was not very large. We were pleased to see the increase from the point of view of the fact that it meant people were using table wines with their meals, which is the proper way.

Senator MURDOCK. Table wines are the low alcoholic content wines, are they not?

Mr. WOOLTON. That is correct.

Senator MURDOCK. And you say they have been increased?

Mr. WOOLTON. Very slightly.

Senator MURDOCK. With reference to the high alcoholic content wines, since the distilleries came into the picture?

Mr. WOOLTON. I do not know what has happened since the distilleries have come into the picture, because I do not know the 1943 figures. I think the figures should show, in view of the preceding trend, a slight increase over 1942. If it shows a large increase, I do not know that, but the trend is slightly up.

Senator MURDOCK. Do you think the fact that the distilleries have come into the wine industry will be conducive to a greater consumption of good quality wines then if they had stayed out?

Mr. WOOLTON. I think the wine is going to be made anyway. I mean, whoever makes it, and whether it is good quality or not, depends on the maker, so I think your question must mean, do I think that the distillers will make good wine—

Senator MURDOCK. What I have in mind is this, that the entry of the distillers into the wine business is absolutely incompatible with the wine industry as we knew it up to the time that they came in. Do you agree with that or not?

Mr. WOOLTON. I do not say that it is absolutely incompatible; no, sir. I do not agree on that. As I said, a few minutes ago, the question

of size has several different possibilities. You get perhaps more stable financing. That may be a good thing; it may not.

Senator MURDOCK. That is, the thing will be more thoroughly and successfully commercialized with the big distillers in there than it has ever been before. That is what you mean?

Mr. WOOLTON. On the other hand, a big fellow can always crowd a little fellow. What is going to happen in the next few years, I do not know.

Senator MURDOCK. Do you not think, as a man particularly interested in the welfare of the wine industry, that it would be a much more healthful situation and a much better situation for the people of the United States if the big distillers would stay out of the wine industry?

Mr. WOOLTON. I know you would like to have me say something one way or the other—

Senator MURDOCK. I am not interested in that at all. I am asking you, as a man who is interested, as I understand, primarily in the wine industry of the United States, if you do not think it would be a much more healthful situation and a better situation for the wine industry if the big liquor distillers would stay out of it?

Mr. WOOLTON. I cannot answer that one way or the other, sir.

Senator MURDOCK. I do not blame you very much now. But they are in there, of course. I can readily see the embarrassment of such a question.

Mr. WOOLTON. The proprietors of a particular firm chose to sell out to a particular other firm. They did that on their own hook and own judgment. I do not know whether we ought to have an opinion as to whether they were right or wrong on that.

Senator MURDOCK. I did not expect to get an unqualified statement from you and I cannot blame you for answering as you have. But so far as I can see, the observation I want to make is this: That if there is any way of keeping the big distillers of this country out of the wine business—or now that they are in there—if there is any way of getting them out, I think it should be done, because, in my opinion, if there is some competition between the wine industry and your hard-liquor industry, it is better for the population of this country.

The CHAIRMAN. I was not mistaken this morning, was I, when I said that for several generations there has grown up in California a pride in the wine products made by families? They are proud of their brands and proud of the prices, and proud of their quality. Is that not true, that it is traditional with those wineries?

Mr. WOOLTON. That is unquestionably true, both in small firms and in large firms.

The CHAIRMAN. I would like to quote to you, since Schenley has entered the picture, the attitude of the chairman of the board and I quote from Fortune.

Mr. WOOLTON. The chairman of what board?

The CHAIRMAN. The chairman of Schenley's board (reading):

In the modern Roma plant at Fresno, Calif., purchased in November 1942, by Schenley Distillers, it blends up to 600,000 gallons at a time; keeps some 8,000,000 gallons under treatment all the time and bottles about a million gallons a month.

It says Lew Rosenstiel—do you know him?

Mr. WOOLTON. I have never met him, sir.

The CHAIRMAN. It says he is the spark plug of Schenley and it quotes him as saying:

I hope Roma will be the wine of the people. I want to give you a quality product at a price you can pay; a big bottle of the best God-damn wine I know how to give you.

That is the difference between commercialized Schenley and the old grape growers and wineries and vintners of California, is it not?

Any other questions?

Mr. MATTICE. I have just one additional thing I would like to call to your attention, if I may.

You have explained that you do not, as yet, have the figures on the 1943 season. I understand that but we have seen in the press and some magazine articles something in the nature of figures on 1943, and in one of those instances, it is stated that as of September 1943, the amount of wine in storage in California is around sixty million gallons, and that of that 60,000,000 gallons, those four distillers own half of it—or 50 percent of what existed September 1, 1943. Do you know whether that is true?

Mr. WOOTTON. No, sir; I do not. The individual companies, of course, can furnish the figures.

Mr. MATTICE. I will read you the quotation that I get this from:

Considering that the distillers' purchases included wine on hand, informed wine men feel that as of September 1943 the distillers hold nearly 30,000,000 gallons, or some 50 percent of all wine now aging.

That is the quotation.

I wanted also to straighten out what seems to be a little confusion about the storage of wine. Is it stored and held for a considerable period of time like whisky?

Mr. WOOTTON. It depends on the wine, sir.

Mr. MATTICE. Some of it is, at least?

Mr. WOOTTON. It is all stored and held for some length of time. It has to be.

Mr. MATTICE. In other words, the grapes that were grown in 1943 and pressed and made into wine, that wine is not sold right away?

Mr. WOOTTON. That is correct, sir.

Mr. MATTICE. Some of it may be held for years—is that right?

Mr. WOOTTON. That is correct, sir.

Mr. MATTICE. In other words, they age wines just as they age whisky?

Mr. WOOTTON. That is right. It eventually reaches the point where you have to take it out of the barrel and that varies a lot with the particular kind of wine and what grapes it is made from.

Mr. MATTICE. I have just one more question. Were you connected with the Wine Institute at the time when Schenley made its purchases out there, or did that occur before?

Mr. WOOTTON. That occurred after I joined the institute, sir.

Mr. MATTICE. Then you have heard of Mr. Arthur Samish, have you not?

Mr. WOOTTON. Yes; I have heard of him.

Mr. MATTICE. Who is he?

Mr. WOOTTON. I believe he does public relations work.

Mr. MATTICE. May I help you out. He is a lobbyist, is he not?

Mr. WOOTTON. I guess you would call him that.

Mr. MATTICE. He is known as the No. 1 lobbyist of California, is he not?

Mr. WOOTTON. That I would not know.

Mr. MATTICE. You have heard him spoken of in that guise. He did the negotiating or the buying of these institutions for Schenley, did he not?

Mr. WOOTTON. That I do not know.

Mr. MATTICE. You have heard that he did?

Mr. WOOTTON. My main source of information is the Fortune article and the description of the deal there.

Mr. MATTICE. It is so stated in the September issue of Fortune magazine of this year.

Mr. WOOTTON. Yes.

Mr. MATTICE. The Herman Wentz mentioned here this forenoon is one of at least two of the old-time winery operators in California who has refused to sell out to these distillers, is he not?

Mr. WOOTTON. I do not know whether they ever asked him to sell, sir.

Mr. MATTICE. At least, they have not sold?

Mr. WOOTTON. No.

Mr. MATTICE. And the other of the two that I mentioned is a Mrs. de Latour.

Mr. WOOTTON. Mrs. de Latour of the Beaulieu Vineyards.

Mr. MATTICE. Do you know about those two people having entered into an agreement that they will not sell out to these distillers who have been buying in there? Do you happen to know about that?

Mr. WOOTTON. I have heard that. I think that was in the Fortune article, sir. Whether there is any basis for that, I do not know.

Mr. MATTICE. That is all I have at this time.

Senator FERGUSON. Mr. Wootton, do you know how much advertising has been done since the large distillers came in, as far as the large wine distillers are concerned?

Mr. WOOTTON. I do not know by way of dollar volume, or anything like that; sir. I do know that there have been some extensive radio programs and magazine advertising, that I see in the magazines I read that seems to take up a little more space, but that has also increased with some other firms, too.

Senator FERGUSON. But does the institute keep track of the amount of advertising of the firms?

Mr. WOOTTON. Of the individual firms; no, sir.

Senator FERGUSON. You said 170 firms were in the institute.

Mr. WOOTTON. Yes; approximately.

Senator FERGUSON. How many are outside?

Mr. WOOTTON. To tell the truth, I do not know the total number of firms in California. The only figures I have are the number of bonded wineries, which was 295, and of those about 220 belong as members to the institute. Those figures are a little bit rough because I do not have all the details.

Senator FERGUSON. The institute does not keep track of the advertising of the various members?

Mr. WOOTTON. No, sir. You are talking about the volume, and so forth?

Senator FERGUSON. Yes.

The CHAIRMAN. Are there any other questions, gentlemen? (No response.)

Thank you very much, Mr. Wootton.

Call your next witness.

Mr. MATTICE. We are ready for Mr. Ludwick.

TESTIMONY OF FRANK M. LUDWICK, CHIEF, DISTILLED SPIRITS AND WINE SECTIONS, BEVERAGE DIVISION, SPECIAL PRODUCTS BRANCH, WAR FOOD ADMINISTRATION

Mr. MATTICE. You are Mr. Ludwick?

Mr. LUDWICK. Frank M. Ludwick.

Mr. MATTICE. You are from what agency?

Mr. LUDWICK. I am Chief of the Wine Section and Chief of the Distilled Spirits Section of the Special Products Branch of the War Food Administration.

Mr. MATTICE. If you have had anything to do with the subject being dealt with here today, wine, will you tell us how that comes about?

Mr. LUDWICK. Yes, sir.

In March 1942 I was asked to take the Wine Section of the Beverage and Tobacco Division of the War Production Board. Our chief function at that time, we considered, was the conversion of all possible facilities of the wine industry to war production. I pursued that program up to the point where it seemed that there was very little more that we could do by way of conversion to the war-production effort.

Our second function we considered to be to bring about those conversions with as little dislocation to the industry as possible.

After we had completed our conversion program to the point where we could not see where we could go much further, of course, our secondary function became our primary one. Since that time, I have sought to assist the industry in every way that I could, of course conditioned upon its not interfering with our general war effort.

Does that answer your question?

Mr. MATTICE. Yes.

Mr. Ludwick, do you have a statement that you have prepared?

Mr. LUDWICK. I did not prepare a statement. After I talked to you yesterday, I had a meeting of the Distilled Spirits Advisory Committee on at the time; I did not have an opportunity to prepare a statement.

Mr. MATTICE. Perhaps you will, in your own way, make a statement to the committee concerning generally the matters which are being considered here today?

Mr. LUDWICK. I did pull out of my file a memorandum which I directed to Mr. Albin, who is the Chief of the Special Commodities Branch and my superior, a memorandum which I directed to him on the 19th of August 1943. That has some bearing upon the subject that you have had under discussion here.

Senator MURDOCK. What is your superior's name?

Mr. LUDWICK. H. C. Albin. It is on the subject of distillery-owned wineries.

Mr. MATTICE. We will be glad to have you read that memorandum, then.

Mr. LUDWICK (reading):

During recent months I have noticed widespread publicity and a more or less general opinion that distillery companies have practically taken over the wine

industry. I decided that it would be interesting to find out to what extent this was true and think you will be interested in the following figures which I have secured—

I may say that these figures do not entirely tally with those which Mr. Wootton presented this morning because there are some two or three wineries, the sale of which had not been completed at the time I made my investigation.

Distillery companies have acquired 14 of the 439 wineries in the State of California, which is less than 4 percent of the total number of wineries. The total production and storage capacities of these 14 wineries is 22 percent of the total capacity of the wine industry in California. The wineries purchased by the distillers produced 20 percent of the California wine in 1942. Two wineries were purchased by distillers in other States, but their capacities are negligible and do not materially change the above figures.

Exact figures on vineyard investments by the distillers are not available—

that is the investment in vineyards—

but reliable estimates show that the distillers and their winery subsidiaries own less than 3 percent of the California vineyards.

I might pause here to point out that apparently the distillers, in making their purchases, were interested in the wineries and the winery products rather than in the growing of the grapes. They apparently preferred to buy their grapes and make the wine.

For your information I am listing the wineries owned by the distillers, their coeage capacities and 1942 production as compared with the total coeage capacity and production of the California wine industry.

I have here listed the wineries owned by the distillers. I presume you do not care to have me repeat that now.

Total coeage capacity of above 14 wineries, 47,500,000.

Total coeage capacity of California wine industry, 215,493,637.

Percentage represented by distillers' 14 wineries, 22.04 percent.

I point out here, that generally speaking the size of the winery is gaged by the yardstick of the storage capacity which includes their tankage and these figures come from the records of the Alcohol Tax Unit.

Total 1942 production of about 14 wineries, 12,000,000 gallons.

Total 1942 production of California wine industry, 62,146,725 gallons.

Percentage represented by distillers' 14 wineries, 19.31 percent.

I will be glad to leave this memorandum with you if you would like to have it. About all it does is to more or less confirm the figures that you have received from the representative of the Wine Institute.

I will be glad to tell you all that I can about the wine industry.

Mr. MATTICE. Are you from California yourself?

Mr. LUDWICK. I am from California, yes, sir.

Mr. MATTICE. I think here is a gentleman who may know something about it, in addition to the fact that he is connected with this agency.

The CHAIRMAN. What part of California are you from?

Mr. LUDWICK. I practiced law in Los Angeles until February 1941. Then I came back here and opened an office and had a general practice here until I went in as Chief of the Wine Section.

The CHAIRMAN. Did you have any legal business involving wineries?

Mr. LUDWICK. In California, no. After I came back here, I was retained and handled two or three matters for them, and in that way, I became more familiar with the industry than I had been in my general practice in Los Angeles.

The CHAIRMAN. What section of California is the largest producer of grapes?

Mr. LUDWICK. The San Joaquin Valley.

The CHAIRMAN. Is that a large area there?

Mr. LUDWICK. Yes, sir; it is a rather large area. I would say it is approximately—some three hundred miles long and fifty miles wide.

The CHAIRMAN. And the quality of grapes is best in that valley? Is that true or not?

Mr. LUDWICK. No, I would not say so.

The CHAIRMAN. Not the quality?

Mr. LUDWICK. Well, it depends. You take in through that lower San Joaquin Valley section, you get the greatest amount of raisin type grapes, and the raisin types are used more generally in the manufacture of the sweet wines, the dessert wines, than the other strictly wine-type grapes which are not any good for anything else except for wines. In other words, they are no good for raisins. You get up in the Napa and Sonoma Valleys further on north and you get there your finest table wines from the wine grapes.

The CHAIRMAN. In your duties for the Food Administration, what do you have to do with wines?

Mr. LUDWICK. I have an industry advisory committee. I have had that ever since we started with the War Production Board and that was carried over with us into War Food Administration. We made a few changes from time to time, but generally speaking it is the same committee. We have them in and discuss their various requirements of materials, for example, bottles, closures, shipping containers, and we accumulate in my office the requirements of the industry generally, not just California, you understand, but the entire wine industry in the United States.

Then we present those figures to the War Production Board and we seek to estimate, as nearly as we can, the requirements of our particular industries.

Senator MURDOCK. Can I interrupt you there to ask just what proportion of the entire industry of the Nation is located in California?

Mr. LUDWICK. Approximately 90 percent. We figure it roughly this way: 90 percent in California; 5 percent in New York State, that is, up around the Finger Lakes district and they produce a substantial amount of wine there and a very excellent wine.

Senator MURDOCK. But not as good as California?

Mr. LUDWICK. That is a matter of taste and opinion.

Senator MURDOCK. And you are a native of California, and you admit that?

Mr. LUDWICK. Well, they say that California never had a disloyal son nor faithless lover, and I think there is some truth in that.

However, I like the New York State wines very much and I think their champagne is excellent.

The other 5 percent is scattered in Michigan, Ohio, some little in Missouri, and some in North Carolina, some in New Jersey. Those are generally the States where the other 5 percent originates.

Senator FERGUSON. How did you happen to run into the proposition that the distilleries were buying up the wineries?

Mr. LUDWICK. How did we come to run into it?

Senator FERGUSON. Yes.

Mr. LUDWICK. Just by reading the papers and trade magazines.

Senator FERGUSON. Why did you concern yourself with it?

Mr. LUDWICK. As a matter of curiosity. We try to keep track of the trends in the industry.

Senator FERGUSON. What was your conclusion, that it was detrimental or not?

Mr. LUDWICK. That is a hard question to answer. I think it is a debatable question. You can argue on either side of it, Senator. If you look at it from one standpoint, you will find a lot of the wineries that were under-financed, hard-pressed, moving out their wine when it was green.

Senator FERGUSON. Why were they hard-pressed, because of regulations?

Mr. LUDWICK. No; because of finances.

Senator FERGUSON. Did not price fixing have anything to do with it?

Mr. LUDWICK. I am talking really about the time before your price fixing came into it. The wineries were selling their wines, in many instances, too green because they had to get their money out of it, you see. Now, you bring in another element, that is, well-financed companies in a position to hold the wines and age them and they can produce a better quality of wine than might be produced under the other circumstance.

On the other hand, you can argue on the other side of the picture. That the bigger the interests, the more they are interested in the volume production, and that is all they are interested in. The fact that the distilleries have confined their purchases largely to the bigger volume wineries would indicate that was the thing that they were interested in, and I doubt very much if you will find, under the present operation—I am looking at it and talking now not as a representative of the War Food Administration but giving you my own personal opinion—I doubt very much if you will find them producing fine old wines such as are produced by Wente Bros. & Beringer, the Beaulieu Vineyards, and the Concannon, and those old-line families up there. I do not believe that those types of wine will ever be made under a program by the wineries that are owned by the distilleries. That is just my guess, and I may be wrong.

The CHAIRMAN. Did you have anything to do, in your official capacity, with determining the change from jars to fifths, so-called, bottles like whisky is bottled in?

Mr. LUDWICK. Not directly. One of the first things that I started when I went over there with the War Production Board was a program, to bring about a standardization of wine bottles. At that time we estimated that there was something in excess of 3,000 different sizes and shapes of bottles, and we felt that it was a terrific waste of material and manpower.

We called in our wine industry advisory committee and we reduced that to nine shapes and sizes, standard shapes and sizes of bottles. At first, we eliminated entirely the flat pint but there was such a furor the W. P. B. backed up and left the pint flask in.

At that time, quite a bit of wine was bottled in so-called half bottles and in pints, in fifths and in quarts. The fifth has always been the standard for wine bottles. However, as I say, there was this wide scope. There has been a tendency, over which we had no control, or at least no official action was ever taken, to shift to straight fifth bottle operation. Pints are out now entirely under the Treasury decision ruling. They are prohibited.

The CHAIRMAN. What did you have to do with the doing away of selling of wines in gallon jugs and jars?

Mr. LUDWICK. We did not have anything to do with it. I think the reason that dropped off to such a great extent was the conversion by the War Production Board of a number of commodities to gallon and half-gallon glass containers, away from metal. That, for your information, is swinging back the other way now. For example, up until last week, when they amended War Production L-103 (b), all antifreeze had to go into gallon jugs. That has been converted back to metal. Paints have been converted back to metal or are being converted.

I think that you will find during the coming year a decided increase in the use of gallon and half-gallon containers for wines. As a matter of fact, when we made our estimate of 1944 requirements for War Production Board which is being considered in this order, our industry advisory committee estimated that they would like to sell a hundred million gallons of wine during the year 1944 and we used that as a basis for our estimate of the number of gross bottles that would be necessary to take care of that volume of business.

To arrive at our gross figure, we used the fifth as the standard of measure because that is what most of them wanted to use and were using.

The amount of glass that War Production Board told us would be available for the wine industry was not sufficient to take care of a hundred million gallons in fifths, but we felt quite sure that, due to the availability of the larger containers, the wineries would be able to distribute at least a hundred million gallons, if not more.

Senator FERGUSON. You mentioned an advisory committee.

Mr. LUDWICK. Yes, sir.

Senator FERGUSON. Could you give us the names of that advisory committee? They are from the industry, are they not?

Mr. LUDWICK. Yes, sir.

Mr. MATTICE. I have that list.

Senator FERGUSON. And how many on that list are from the Big Four?

Mr. LUDWICK. There are two, I believe.

Senator FERGUSON. Two out of how many?

Mr. LUDWICK. Two out of twelve.

Senator FERGUSON. Two out of twelve.

The CHAIRMAN. Whom do those two represent?

Mr. LUDWICK. One of them represents Roma and that is Schenley.

The CHAIRMAN. Who is the other one?

Mr. LUDWICK. The other one is Lee Jones of Shewan-Jones, which is owned by National.

Senator FERGUSON. The other two distillers are not represented?

Mr. LUDWICK. No, sir.

Senator FERGUSON. How many are members of the Wine Institute?

Mr. LUDWICK. We have seven from California and I think all of them are members of the institute.

Senator FERGUSON. So no independents are represented from California?

Mr. LUDWICK. I think not, from California.

Senator FERGUSON. And you have got two out of the seven in California who are members of the distillers' group?

Mr. LUDWICK. Yes, sir, I think that is right.

Senator FERGUSON. Do you think that is a fair representation? Mr. LUDWICK. We thought so; yes.

Senator FERGUSON. When they have only 20 percent—

Mr. LUDWICK. Yes; we thought it was a fair representation. Of course, bear in mind that this committee was organized in a period prior to the time that these purchases were made.

Senator FERGUSON. But it is still in existence?

Mr. LUDWICK. Our committee has gone on.

Senator FERGUSON. Yes. When did you form the committee?

Mr. LUDWICK. We formed our committee in March 1942 and these purchases all came subsequent to that time.

Senator FERGUSON. You had the distillers' interests in there in some other company and you just kept them?

Mr. LUDWICK. Yes; just carried on.

Senator FERGUSON. Why do you not have some independents from California?

Mr. LUDWICK. Well, we have found that what we needed was active representation on the committee.

Senator FERGUSON. No matter what they represented, just so they were active?

Mr. LUDWICK. Of course, we want a representative committee but we do want a representative committee that will act.

You will find, I think, Senator, that your active, progressive industry members ordinarily will belong to a trade association and I think that you will probably find that if you sought a so-called independent in California, you would have a devil of a time finding one who would come back here and act.

Mr. MATTICE. You mean travel back to Washington?

Mr. LUDWICK. Yes. You see, these industry advisory members have to contribute their time and they have to pay their own expenses.

Senator FERGUSON. Do you think that is the proper way to get representation?

Mr. LUDWICK. It is the best way that we know of.

Senator FERGUSON. So if they can afford to pay their expenses they can get on the board, and if they are not, they are not represented?

Mr. LUDWICK. We have found that we have had a mighty good committee.

Senator FERGUSON. Were you here when they testified about your Division here this morning?

Mr. LUDWICK. Yes, sir.

Senator FERGUSON. What have you got to say about that, about the War Food Administration buying grapes at \$30.30 and selling them for \$75?

Mr. LUDWICK. Senator, I haven't a thing to say about it because I do not know about it. Bear in mind, that we have only been in War Food Administration since last August.

Senator FERGUSON. Where were you before then?

Mr. LUDWICK. In War Production Board. Even now that activity does not pass through my office at all. That is in the Fruit and Vegetable Division of the War Food Administration.

Senator FERGUSON. Are you responsible in any degree for the price fixing of wine or grapes?

Mr. LUDWICK. I have nothing to do with it at all.

Senator FERGUSON. What are your duties?

Mr. LUDWICK. I tried to outline them awhile ago. My duties are to try to ascertain the requirements of the industries and seek to make them available.

Senator FERGUSON. How did you use the wineries in the war effort? That is what you said your duties were. How did you do that?

Mr. LUDWICK. We did it in several different ways. We had several activities. We felt that one of them was the conservation of glass through our standardization order.

Senator FERGUSON. Do you think going from gallons to fifths was a conservation of glass?

Mr. LUDWICK. Well, we did not voluntarily go from gallons to fifths.

Senator FERGUSON. I am asking you if that was a conservation of glass.

Mr. LUDWICK. It was not a conservation of glass but it was a conservation of metal in the over-all picture.

Senator FERGUSON. How do you mean that?

Mr. LUDWICK. Prior to the time that the wineries lost the availability of gallons and half gallons, your antifreeze, your paints, and your oils were all packed in tin cans.

Senator FERGUSON. You say that the reason that the wineries went from gallons to fifths was that you took the gallons away from them?

Mr. LUDWICK. They could not get them; yes, sir.

Senator FERGUSON. That is what happened?

Mr. LUDWICK. Yes; they took all of that production and moved it over into these other commodities.

Senator FERGUSON. I do not see how you helped there, if they could not get them. You did not have anything to do with that.

Mr. LUDWICK. We eliminated all these multitude of molds that were being used for these odd shapes and sizes.

Senator FERGUSON. That is one thing you did.

Mr. LUDWICK. Yes.

Senator FERGUSON. What else did you do?

Mr. LUDWICK. Another thing we engaged in was to encourage the production of tartrate materials.

Senator FERGUSON. What is that?

Mr. LUDWICK. That is, tartaric acid and cream of tartar. You see, prior to this war no tartrates, to speak of, were recovered here. There were small recoveries but, generally speaking, there were no tartrate materials recovered in this country. The only known source of tartrates is from the fermentation of wine. I could go on and give you a whole long story on that, but, roughly, there are three steps there.

There is a deposit in the fermenting tanks of what they call argols or wine stone and that is almost pure cream of tartar. Of course, it has to be refined. That can be chipped off and recovered. Then the lees which form in the bottom of the tank during the fermenting period also contain a substantial tartrate content and then out of the pomace, which is the seeds of the grapes and stems that are pressed, is recovered some of this material.

Senator FERGUSON. So you got that for the War Production Board into the war effort?

Mr. LUDWICK. Yes, sir.

Senator FERGUSON. What else did you do?

Mr. LUDWICK. Then we worked with the Chemistry Section of the War Production Board in making available for the distilleries, in the Middle West, this still equipment which Mr. Wootton told you about this morning.

Senator FERGUSON. You mean, taking the stills from these wineries—

Mr. LUDWICK. From the California wineries and fitted them into the grain distilleries. You see, California stills are practically all high-column stills capable of producing 190-proof spirits because they have to get it up that high to use it in the fortification and in making their brandy whereas, your middle western stills, a lot of them only made the high wines, which is green whisky, and they could not go up to 190-proof, so the Alcohol Solvent Section of the Chemistry Branch of the War Production Board wanted to get some of this still equipment so they could build up the stills in the Middle West and produce ethyl alcohol instead of these high wines.

Senator MURDOCK. If I could interrupt you, with Senator Ferguson's consent?

Senator FERGUSON. Yes.

Senator MURDOCK. Have you got the figures and the information as to the source of these stills that came from California?

Mr. LUDWICK. Senator, I would suggest that you call upon Dr. Whitman or John Boyer of the Chemistry and Solvent Section of the War Production Board. They have all of that data.

Senator MURDOCK. Dr. Whitman—and who is the other?

Mr. LUDWICK. John Boyer, B-o-y-e-r.

Senator MURDOCK. Where did that movement originate, to bring the stills from California into the Middle West?

Mr. LUDWICK. Well, it originated here, of course, and then Mr. McNamara, who was then with War Production Board, took some assistants with him and they had all of their statistical dope on the stills in Kentucky and the Middle West that they wanted to boost up.

Senator MURDOCK. Where was Mr. McNamara at that time?

Mr. LUDWICK. At that time, Mr. McNamara was with the War Production Board on their alcohol program.

Senator MURDOCK. He was a director, was he not, of Schenley?

Mr. LUDWICK. No; of National.

Senator MURDOCK. So that he had something to do with the accumulation of these stills?

Mr. LUDWICK. Yes. He went out there and found the particular stills that they wanted and arranged for the transfer of that still equipment to the Middle West.

Senator MURDOCK. So Mr. McNamara, in your opinion, could give us a lot of information on that?

Mr. LUDWICK. Yes; I think so.

The CHAIRMAN. Where is he now?

Mr. LUDWICK. Senator, I do not know. I understand he is with National now.

The CHAIRMAN. He severed his connection with the Government and went back?

Mr. LUDWICK. Yes, sir; my recollection is he went back about last November.

Senator FERGUSON. Was he a dollar-a-year man?

Mr. LUDWICK. I could not say.

Senator FERGUSON. Are you a dollar-a-year man?

Mr. LUDWICK. No, sir.

Senator FERGUSON. You are a salaried man?

Mr. LUDWICK. Yes, sir.

Senator FERGUSON. I would like, if I could, to go back to this gallon container question.

Mr. LUDWICK. Yes, sir.

Senator FERGUSON. I am not quite clear about that. You mean they took the firms over that made gallon containers and had them make them for antifreeze, and so forth. Is that right?

Mr. LUDWICK. Yes; that is right.

Senator FERGUSON. You mean the same companies that made the quarts and the fifths could not make gallons?

Mr. LUDWICK. They did make them but they had a definite limit to the amount of their production. These bottles are made from molds. You have certain molds for different sizes. The War Production Board gave a priority for these big sizes to industries which were manufacturing what they considered to be more essential commodities and they got the first call on the bigger bottles.

Senator FERGUSON. In other words, the War Production Board, in effect, took the capacity of the molds away from the wine industry and gave it to another business?

Mr. LUDWICK. That is right.

Senator FERGUSON. Then you placed the capacity at 65 percent, did you not?

Mr. LUDWICK. Yes, sir; the War Production Board did that.

Senator FERGUSON. And they could get 65 percent as many bottles?

Mr. LUDWICK. As they had gotten in a similar base period in 1942.

Senator FERGUSON. And when you took the gallons away from them, that meant they had much less volume?

Mr. LUDWICK. Yes, sir.

Senator FERGUSON. Is that right?

Mr. LUDWICK. Yes; that is right because the quotas were based on gross bottles, regardless of size.

Senator FERGUSON. So then the man who had had his business confined to the gallon business instead of the small container was practically put out of business?

Mr. LUDWICK. He suffered more than the others, but those cases were handled very largely through appeals to the Container Branch of the War Production Board.

Senator FERGUSON. Did they get relief?

Mr. LUDWICK. Yes; they got relief.

Senator FERGUSON. So then they were able to produce and to sell wine?

Mr. LUDWICK. Yes. I do not think anybody was hurt very badly. We had a similar situation when we took the steel tank cars away from them. We had certain wineries out there who had engaged almost exclusively in bulk shipments of wine in the West. Some of them owned their own cars and some of them leased them.

Senator MURDOCK. Why did you take them away from the wineries?

Mr. LUDWICK. Converted them to more essential industries, the movement of alcohol, oil, gasoline, and that brought about a dislocation on the west coast insofar as the wineries were concerned, those who were shipping in bulk. They came in then to the War Production Board with appeals and they were granted additional allocations. Of

course, there they ran up into a situation brought about by the purchase of some of these larger wineries and some who had been selling largely in bulk to the distilling interests, and they started in to use their whisky bottle quota for the bottling of wines, which we stopped.

Senator FERGUSON. Do I understand that the regulations may have stimulated the distillers in being able to go out there and buy at a lower price because of the distress?

Mr. LUDWICK. No; I do not think so.

Senator FERGUSON. How do you account for the distillers going into really a competitive business?

Mr. LUDWICK. Let me answer the first part of your question first and then I will come back to the second question.

You see, this bottle order did not come in until June of 1943 and practically all of these transactions had taken place prior to that time.

To get to your second question, that is a matter of conjecture. My guess on it is, and it is only a guess and anybody else's guess is as good as mine, but all of their facilities were taken over by the War Production Board and they were not permitted to manufacture any more beverage alcohol. They had their stocks which they felt they should limit and hold back in order to continue business over a period of years and they had their distribution set-up. I just guess that they figured—"well, let's go out and buy some wineries and then we will have some wine to feed in through our regular channels."

Senator FERGUSON. Not to make alcohol?

Mr. LUDWICK. That probably had something to do with it, too.

Senator FERGUSON. Do you know now what the situation is for Are they in a position to give more bottles?

Mr. LUDWICK. Yes. The present order—I think I would rather give that to you gentlemen in executive session because the order is not yet out and ordinarily, they do not like to reveal what the quotas will be.

Senator FERGUSON. It will grant relief?

Mr. LUDWICK. The situation is improving considerably; yes, sir.

Senator MURDOCK. May I ask this question, Mr. Chairman?

The Chairman. Yes, Senator Murdock.

Senator MURDOCK. Were you interested at all in the quantity of grapes allocated for beverage purposes?

Mr. LUDWICK. No.

Senator MURDOCK. You had no interest in that at all?

Mr. LUDWICK. Had nothing to do with it.

Senator MURDOCK. Who would handle it?

Mr. LUDWICK. The Fresh Fruit and Vegetable Branch of the War Food Administration.

Senator MURDOCK. As I understand your functions, then, they did not come into play at all until the grapes were converted into a beverage?

Mr. LUDWICK. That is right; and for that reason, I am afraid I cannot be as helpful to this committee as I would like.

Senator MURDOCK. Prior to conversion of grapes into beverage, you had nothing to do with it?

Mr. LUDWICK. Nothing whatever.

Senator MURDOCK. Let me ask you this: Do you know Mr. Wootton?

Mr. LUDWICK. Yes, I know Mr. Wootton.

Senator MURDOCK. Have you been acquainted with him for a long time?

Mr. LUDWICK. Not a long time, but I would say about 2 years. Senator MURDOCK. Have you been intimately acquainted with him during the last 2 years?

Mr. LUDWICK. I have had quite a bit to do with him because he was frequently in contact with my office regarding requirements of the various members of the institute.

Senator MURDOCK. And you have seen a great deal of him in the last couple of years?

Mr. LUDWICK. Yes; I would say so.

Senator MURDOCK. Have you been together frequently?

Mr. LUDWICK. Yes; I would say so.

Senator MURDOCK. And had dinner with him frequently?

Mr. LUDWICK. A few times, I think.

Senator MURDOCK. Do you know Mr. McNamara?

Mr. LUDWICK. I know him casually.

Senator MURDOCK. Do you see much of him?

Mr. LUDWICK. No, sir.

Senator MURDOCK. Do you go out with him socially?

Mr. LUDWICK. No, sir.

Senator FERGUSON. Who is the lobbyist here in Washington for the Big Four?

Mr. LUDWICK. I could not tell you that.

Senator FERGUSON. Who is the lobbyist for the wine interests?

Mr. LUDWICK. I do not know that they have any.

Senator FERGUSON. Am I using a term that you do not understand, "lobbyist"?

Mr. LUDWICK. I think I understand it perfectly, Senator.

Senator MURDOCK. Would you consider Mr. Wootton a lobbyist?

Mr. LUDWICK. No, sir.

Senator MURDOCK. How do you classify him?

Mr. LUDWICK. As an industry representative.

Senator MURDOCK. Is that not just a polite name for a lobbyist?

Mr. LUDWICK. No, sir.

Senator MURDOCK. What is the difference?

Mr. LUDWICK. I think there is a vast difference.

Senator MURDOCK. A vast difference?

Mr. LUDWICK. Yes, sir. I think it depends entirely on the character of the operation.

Look, here is my connection with Mr. Wootton. He comes down to the office—

Senator MURDOCK. I do not mean to imply there is anything improper about it.

Mr. LUDWICK. No; but that helps answer your question. He comes down with an appeal from one of his industry members out there who is up against it for glass because of certain changed conditions, such as we have already discussed, and he tells me his story. Then I follow through and I check with the War Production Board and I call to their attention the fact that this vintner, in my opinion, does need some more glass and I keep on their trail trying to get the appeal out for them if I think it is reasonable.

In my section, we pass on all of the so-called PDIA applications for materials to be used in repairs and I also have to approve or disapprove the PD-200 applications which are project applications.

He has a member who wants to expand his winery capacity. He brings it down to me and tells me the story and I say, we will not recommend any expansion in the alcoholic beverage field during this period of emergency because we think there is enough capacity to take care of the available production.

Activity of that sort, I do not consider lobbying.

Senator MURDOCK. I have nothing more, Mr. Chairman.

The CHAIRMAN. You are the head of the Wine and Distilled Spirits Section, is that it?

Mr. LUDWICK. There are two sections there, Senator, and I am chief of each.

The CHAIRMAN. What is Distilled Spirits Section?

Mr. LUDWICK. It is a similar set-up to the Wine Section.

The CHAIRMAN. Is that whisky, or what?

Mr. LUDWICK. Yes, that is whisky, whisky and gin and cordials.

The CHAIRMAN. What do you have to do? You have described your activities with wine, what do you have to do with whisky?

Mr. LUDWICK. Substantially the same thing.

The CHAIRMAN. Did you O. K. the vacation period that was defeated, under cover of night, that we have all heard about?

Mr. LUDWICK. Senator, you are asking me a very embarrassing question.

The CHAIRMAN. I do not want to embarrass you but I am interested. Did you O. K. it or not?

Mr. LUDWICK. No, sir. That is, it was not for me to O. K. it.

The CHAIRMAN. Was it O. K.'d by your Department, then, War Food Administration?

Mr. LUDWICK. I understand that Judge Jones had something to do with that; yes, sir.

The CHAIRMAN. We are going to have Mr. Jones down here.

Senator FERGUSON. Why was that an embarrassing question?

Mr. LUDWICK. Well, because sometimes you are not entirely in accord with the action of your superiors but, in our governmental set-up, the boss has the say-so.

Senator FERGUSON. Do I understand, then, that you were not in sympathy with approval?

Mr. LUDWICK. Senator, I said that was embarrassing, and I prefer not to answer.

Senator FERGUSON. It was approved, though?

Mr. LUDWICK. It was not approved, the holiday.

Senator FERGUSON. By the War Food Administration, but you did not approve it?

The CHAIRMAN. It was defeated by the War Food Administration.

Mr. LUDWICK. I suggest you ask Judge Jones, who can answer that much better than I.

The CHAIRMAN. You can answer the other phase of it—it was approved by the War Production Board, was it not?

Mr. LUDWICK. I think I can say that it was suggested by the War Production Board.

The CHAIRMAN. You would not want to go any further than that?

Mr. LUDWICK. No.

The CHAIRMAN. All right; we will have the originals here.

Senator FERGUSON. Did Mr. McNamara have anything to do with that suggestion?

Mr. LUDWICK. I doubt it.

Senator FERGUSON. Who would have the power to suggest that? Mr. LUDWICK. Well, there were several governmental agencies involved. Defense Supply Corporation was very much interested in that and the Alcohol and Solvent Section of the War Production Board.

Senator FERGUSON. You do not think Mr. McNamara had anything to do with that?

Mr. LUDWICK. I would not know. As far as I know, no; he did not have.

Senator FERGUSON. Do you know the time?

Mr. LUDWICK. Yes, sir.

Senator FERGUSON. When was it?

Mr. LUDWICK. It was being discussed in the latter part of August 1943, because I prepared some data and some memoranda.

Senator FERGUSON. When did Mr. McNamara leave?

Mr. LUDWICK. I am not sure of that. I do not believe he was over there at that time. I could not answer that definitely.

The CHAIRMAN. Mr. Cella, president of the Roma Wine Co. at Fresno, Calif., is on your advisory committee?

Mr. LUDWICK. Yes; on the wine advisory committee. You see, we have two. We have distilled spirits and we have wine.

The CHAIRMAN. And he is also on what other advisory committee, the one for the O. P. A.?

Mr. LUDWICK. Yes; we have a mutual membership. In other words, we have an agreement between War Food Administration and O. P. A. to use the same individuals on our membership advisory committees, because in that way we can frequently hold our meetings at the same time and get these individuals back and we cooperate in selecting our members.

Senator FERGUSON. The same membership in the O. P. A. and War Food Administration?

Mr. LUDWICK. Yes; the same membership.

The CHAIRMAN. Who selected these members?

Mr. LUDWICK. I selected all of the wine industry advisory committee members myself, because I set that up, you see, before O. P. A. set up their committees, so they just took our membership and set up their own committee.

The CHAIRMAN. And in that committee, do you discuss policies and future activities and regulations and rules and curtailments or expansions, and things like that?

Mr. LUDWICK. To some extent; yes, sir.

The CHAIRMAN. It is pretty advantageous for a representative of Schenley to be on both committees, is it not?

Mr. LUDWICK. It is an advantage to a member to be on a committee. They get an insight of what is going on.

The CHAIRMAN. Let me ask you something which is just common sense.

You lived in California?

Mr. LUDWICK. Yes, sir.

The CHAIRMAN. Did you hear these letters that have been read here and the one from a representative of the growers of a certain kind of grapes, the letter that was read this morning?

Mr. LUDWICK. Yes, sir.

The CHAIRMAN. Is that true, that situation out there?

Mr. LUDWICK. I think there are some portions of it that are probably true, and there are some that I would be inclined to question.

The CHAIRMAN. What?

Mr. LUDWICK. Well, Senator, I just heard that letter read briefly.

The CHAIRMAN. Am I right about this in saying—and I know I am right about this—in saying that our committee is flooded with letters from distributors and sellers of wines and the growers of grapes protesting against this commercial activity out there by these four big distillers who they claim are destroying the traditions of the wine growers of California? Am I right about that?

Mr. LUDWICK. Well, Senator, I would not question your statement for a minute, because I know what my own fan mail is every time they start talking about a holiday.

The CHAIRMAN. Is it for or against it?

Mr. LUDWICK. Well, it is both.

Senator FERGUSON. The majority is on which side?

Mr. LUDWICK. Against, and the most of them, I will say, are the

worst crackpot letters you ever read.

Senator FERGUSON. Are the distillers against the holiday?

Mr. LUDWICK. I do not think I can answer that question.

Senator FERGUSON. Do you not get any fan mail from the distillers?

Mr. LUDWICK. No; not a bit.

Senator FERGUSON. They come in personally, do they?

Mr. LUDWICK. I have never had a request from any member of the

distilling interests for a holiday.

Senator FERGUSON. What is your advisory committee on the liquor question? You have an advisory committee?

Mr. LUDWICK. Yes, sir; we have an advisory committee.

Senator FERGUSON. Have you consulted them on the holiday?

Mr. LUDWICK. We have never discussed that in the committee. I have heard discussion on it outside by some of the members.

Senator FERGUSON. Is not that one of the things that naturally would be discussed in a committee?

Mr. LUDWICK. Not in our committee. It might be discussed in the alcohol committee of the War Production Board.

Senator FERGUSON. Is that the same committee?

Mr. LUDWICK. No, sir; that is a different committee.

Senator FERGUSON. It has different personnel?

Mr. LUDWICK. Yes, sir.

Senator FERGUSON. How many are on that committee?

Mr. LUDWICK. I cannot answer that. I think there are about a

dozen.

Senator FERGUSON. Are you on that?

Mr. LUDWICK. No.

The CHAIRMAN. Is any representative of the "Big Four" on that committee?

Mr. LUDWICK. I am not sure of that, Senator.

The CHAIRMAN. Who will we subpoena down here to find out about that?

Mr. LUDWICK. Mr. Boyer or Dr. Whitman. You will get all that information much better from them than you can from me. They

are your best bet.

The CHAIRMAN. Are there any other questions of this witness?

Senator MURDOCK. Let me ask you this: Is there any doubt in your mind about the four big distillers being interested in fruit spirits

distilled from grapes as a substitute for the neutral spirits that were formerly used by them in the blending of whisky?

Mr. LUDWICK. Yes, sir. I think they certainly must be interested in it, but at the present moment, I doubt if they are actively interested in it.

Senator FERGUSON. You mean by that they are just waiting for an opportunity to use—

Mr. LUDWICK (interposing). At the present time, they are buying for importation from Cuba and other points. They are buying grain spirits for blending purposes and importing them.

Senator MURDOCK. Grain spirits?

Mr. LUDWICK. Well, they are made from molasses.

Senator FERGUSON. You mean they are bringing in neutral spirits in that way?

Mr. LUDWICK. Yes; they are bringing in neutral spirits.

Senator FERGUSON. How much are they bringing in?

Mr. LUDWICK. You could get that from the Alcohol Tax Unit, from Mr. Berkshire.

Senator MURDOCK. Do you know anything about the fact that the Big Four distillers that have gone into the wine industry have used fruit spirits distilled from grapes for the purpose of blending whisky?

Mr. LUDWICK. I would not have any information on that. I understand that it has been used to some extent.

Senator MURDOCK. Was it ever used prior to the time—

Mr. LUDWICK (interposing). No.

Senator MURDOCK. It never was; was it?

Mr. LUDWICK. No. Because it is so much more expensive to make fruit spirits than it is to make grain spirits.

Senator MURDOCK. I understand that. Where could you get that information?

Mr. LUDWICK. I do not know.

Senator MURDOCK. It seemed from a description of your functions down there, that that is the very thing that you would know something about.

Mr. LUDWICK. No; we do not have anything to do with that at all.

Senator MURDOCK. You have nothing at all to do with it?

Mr. LUDWICK. My guess is the only way you could get that information would be to subpoena certain distillers and ask them.

Senator MURDOCK. I think certainly that is the best source.

Mr. LUDWICK. I do not believe anybody else would have it.

The CHAIRMAN. Do you have anything to do with industrial alcohol?

Mr. LUDWICK. No.

The CHAIRMAN. Not a thing?

Mr. LUDWICK. Not a thing.

The CHAIRMAN. Then, I will not ask my question.

Mr. MATTICE. May I check with this gentleman on this advisory committee membership and see if I have the correct list?

I am reading from a mimeographed sheet from the War Food Administration which bears the date of July 26, 1943. It is headed "Membership list of the distilled spirits industry advisory committee." Is that one of the committees we have been talking about?

Mr. LUDWICK. Yes.

Mr. MATTICE. A. Smith Bowman, Sunset Hills Farm, Fairfax County, Va.

Mr. LUDWICK. That list is no good, Counselor.

Mr. MATTICE. That is not the correct list?

Mr. LUDWICK. No; because we just recently made a number of changes.

Mr. MATTICE. Was this the list at this date?

Mr. LUDWICK. That was the list then.

Mr. MATTICE. July 26, 1943, and on that date it was A. Smith Bowman, of Fairfax County, Va.; Owsley Brown, president of Brown-Forman Distillers Corporation, Louisville, Ky.; Joseph A. Engelhard, secretary-treasurer of Glenmore Distilleries Co., Louisville, Ky.; D. J. Ginnson, president of Continental Distilling Corporation, Philadelphia, Pa.; Harry C. Hatch, president and chairman of the board of Hiram Walker & Sons, Inc., Detroit, Mich.; Warren Oakes, president of Fleischmann Distilling Corporation, New York, N. Y.; Seton Porter, president of National Distillers Products Corporation, New York; John J. Quinlan, vice president of Century Distilling Co., Chicago, Ill.; Lewis S. Rosenstiel, Schenley Distillers Corporation, New York; Julian P. Van Winkle, president of Stitzel-Weller Distillery, Louisville, Ky.; W. H. Veeneman, chairman of the board of directors of Frankfort Distilleries, Inc., Louisville, Ky.; and H. E. Willkie, vice president, Joseph E. Seagram & Sons, Inc., Louisville, Ky. That is the way it was at that time?

Mr. LUDWICK. I think it was. I was not chief of this section at that time.

Mr. MATTICE. Is the Willkie mentioned here related to Wendell Willkie?

Mr. LUDWICK. He is a brother.

Senator FERGUSON. Do you know if Mr. Cella is on the W. P. B. or O. P. A. as well as on your advisory committee?

Mr. LUDWICK. He is on O. P. A. He is on the wine-industry, committee.

Senator FERGUSON. I have information he is on W. P. B. Of course that would give Schenley access to everything on the three committees.

Mr. LUDWICK. I have the impression, which I am not sure about, that Mr. Cella is no longer on that committee and that he was replaced by Lou Petri from California, but I may be wrong on that.

The CHAIRMAN. Mr. MATTICE, do you have any other questions?

Mr. MATTICE. Just this one thing. I have here, Mr. Ludwick, a list which I think you prepared for us on the membership of the wine-industry advisory committee. I recall you saying that there were two on there who are connected with wineries, and I suppose you were referring to California wineries. There are some others on here, but they are not California men; is that correct?

I notice on here, for instance, L. K. Marshall, of Lodi, Calif., and E. Stewart Underhill, Urbana Wine Co., Hammondsport, N. Y. That is up in the Finger Lakes region?

Mr. LUDWICK. Yes.

Mr. MATTICE. And Herman Wente, of Livermore, Calif., so the membership there is not limited to the two you have mentioned. The others are in the business?

Mr. LUDWICK. Yes.

Mr. MATTICE. But they are not connected with the four distillers; that is what the question was directed to, I think.

Mr. LUDWICK. Yes.

Mr. MATTICE. Is that list correct, if you will glance at it a moment, so I will know if it is correct?

Mr. LUDWICK. That is right.

Mr. MATTICE. That list is correct?

Mr. LUDWICK. Yes.

The CHAIRMAN. Is that in the record?

Mr. MATTICE. That is not in the record, and I believe it would be well to have it in the record.

(The list referred to is as follows:)

MEMBERSHIP LIST OF THE WINE INDUSTRY ADVISORY COMMITTEE, GOVERNMENT
CHAIRMAN, FRANK M. LUDWICK

W. B. Bridgman, manager, Upland Winery, Sunnyside, Wash.
J. B. Cella, president, Roma Wine Co., Post Office Box 1592, Fresno, Calif.
B. V. Grandfield, Engels & Krudwig Wine Co., Sandusky, Ohio.
Lee Jones, president and general manager, Shewan-Jones, Inc., 85 Second Street, San Francisco, Calif.
Horace A. Lanza, president, Italian Vineyard Co., Inc., 815 Transamerica Building, John A. Margolis, president, Bisceglia Bros. Corporation, Twelfth Street and Sedgley Avenue, Philadelphia, Pa.
L. K. Marshall, manager, Bear Creek Vineyard Association, Lodi, Calif.
J. Campbell Moore, vice-president, Garrett & Co., Inc., 882 Third Avenue, Brooklyn, N. Y.
Louis Petri, vice president and general manager, Petri Wine Co., Inc., 901 Battery Street, San Francisco, Calif.
Walter E. Taylor, general manager, Fruit Industries, Ltd., 900 Minnesota Street, San Francisco, Calif.
E. Stewart Underhill, Jr., president, Urbana Wine Co., Inc., Hammondsport, N. Y.
Herman L. Wente, Wente Bros., Livermore, Calif.
Oct. 18, 1943.

Mr. LUDWICK. Just in passing, would you like to have me send you a correct list on the distilled spirits, of the committee?

Mr. MATTICE. Yes, I would; and may that go into the record at this point also?

The CHAIRMAN. It may, as soon as he produces it.

(The list referred to is as follows:)

DISTILLED SPIRITS INDUSTRY ADVISORY COMMITTEE (FOOD DISTRIBUTION
ADMINISTRATION)

Hugh Adams, vice president, Fruit Industries, Ltd., 900 Minnesota Street, San Francisco, Calif.
A. Smith Bowman, proprietor, A. Smith Bowman Distilling Co., Sunset Hills, Fairfax County, Va.
Oswley Brown, president, Brown-Forman Distillers Corporation, Louisville, Ky.
J. B. Deacon, vice president, Schenley Distillers Corporation, Empire State Building, 350 Fifth Avenue, New York, N. Y.
Joseph A. Engelhard, Secretary-Treasurer, Glenmore Distilleries Co., Inc., Post-office Box 900, Louisville, Ky.
L. J. Gunson, president, Continental Distillers Corporation, Philadelphia, Pa.
Frank Handren, president, Park & Tilford Distillers, Inc., 548 West Forty-fourth Street, New York, N. Y.
Warren Oakes, president, Fleischmann Distilling Corporation, 595 Madison Avenue, New York, N. Y.
Eric Stalton, National Distillers Producing Corporation, 120 Broadway, New York, N. Y.
Julian P. Van Winkle, president, Stitzel-Weller Distillery, station D, Louisville, Ky.
Howard Walton, vice president, Hiram Welker & Sons, Inc., Penobscot Building, Detroit, Mich.
H. F. Willkie, vice president, J. E. Seagram & Sons, Inc., Seventh Street Road, Louisville, Ky.

Senator FERGUSON. Will you check also those on W. P. B. and O. P. A.?

Mr. LUDWICK. I do not need to check the O. P. A. We check all the time; we never make a change unless we check together.

Senator FERGUSON. I would like to have it checked for those on W. P. B. That will show the interlocking directors.

Mr. LUDWICK. On the alcohol committee.

The CHAIRMAN. Are there any further witnesses?

Mr. MATTICE. No.

The CHAIRMAN. Thank you very much, Mr. Ludwick.

The committee will rise until the fore part of next week.

(Whereupon, at 4:20 p. m., the committee adjourned.)

LIQUOR INDUSTRY

WEDNESDAY, JANUARY 19, 1944

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The committee met, pursuant to call, at 10:40 a. m. in the caucus room, Senate Office Building, Senator Frederick Van Nuys (chairman) presiding.

Present: Senators Van Nuys (chairman), Murdock, Ferguson, and Kilgore.

Present before the subcommittee was Wilson D. Sanderson.
The CHAIRMAN. The committee will come to order.

TESTIMONY OF WILSON D. SANDERSON, HEAD OF THE BEVERAGE SECTION OF THE FOOD PRICE DIVISION, OFFICE OF PRICE ADMINISTRATION

(Mr. Sanderson was duly sworn.)

Mr. MATTICE. You may state your name, please.

Mr. SANDERSON. Wilson D. Sanderson.

Mr. MATTICE. You are connected with the Office of Price Administration, are you not, Mr. Sanderson?

Mr. SANDERSON. Yes, sir.

Mr. MATTICE. And what is your position there?

Mr. SANDERSON. Head of the Beverage Section of the Food Price Division.

Mr. MATTICE. How long have you held that position?

Mr. SANDERSON. Since Monday morning.

Mr. MATTICE. Prior to that time, what was your position?

Mr. SANDERSON. I have been connected with the Beverage Section since it was organized on May 8, 1942.

Mr. MATTICE. In what capacities, during that period prior to last Monday, have you served?

Mr. SANDERSON. In various capacities; originally as head of the section, then as assistant to the head of the section after September 22, 1942; further as senior business specialist in charge of ice and wine during the early part of 1943 and later, in 1943, assistant to the head of the section.

Mr. MATTICE. Then you have had something to do with the matter of establishing what are called ceiling prices on intoxicating beverages at the time that was done?

Mr. SANDERSON. As part of the Beverage Section I have been connected with the promulgation of all the regulations which the section has issued.

Mr. MATTICE. When was the first regulation promulgated?

Mr. SANDERSON. The first regulation affecting the distilled spirits was the General Maximum Price Regulation which was issued on April 28, 1942 and took effect at the processor and wholesale level on May 11, 1942, and at the retail level on May 18, 1942.

The effect of this regulation was to freeze prices at the highest price charged by the seller during the month of March 1942.

Mr. MATTICE. How long did that schedule or set-up continue until there was a change made?

Mr. SANDERSON. The first change made was the issuance of Maximum Price Regulation No. 193, which regulation was issued on August 1, 1942, and became effective on August 5, 1942.

A brief description of that regulation is that it incorporated the maximum prices for all sales of distilled spirits under a separate document, eliminating it from the General Maximum Price Regulation, maintaining for the most part the same pricing provisions as had obtained under the General Maximum Price Regulation, but it did add specifically two or three different procedures which were not contained in the previous pricing methods. The principal reason for the issuance of this document was to provide a means for pricing distilled spirits in which neutral spirits, which were no longer available, might be replaced by the other available spirits; namely, high wines, and a procedure was adopted which permitted the addition of the increased cost for that substitution.

Mr. MATTICE. Will you describe for us, briefly and in your own way, how that regulation of the date you gave in 1942 was arrived at? What I mean by that is, who made the order and on what basis did he act, what advice and whose recommendations, and so forth?

Mr. SANDERSON. A fairly substantial segment of the industry representing the rectifiers and producers of gin at that time, represented, by petitions and by personal contacts with the Washington office and with our regional offices, that they were unable to secure neutral spirits because, under the existing W. P. B. orders the manufacture of neutral spirits for beverage purposes had been discontinued. It would have been necessary to stop the production of items of distilled spirits containing neutral spirits in the case of those firms which did not have a substantial inventory of neutral spirits.

Representations made to our section indicated that high wines, so called, that is, spirits distilled at less than 190° proof, might continue to be available; that these high wines would have a substantially higher cost than the cost of the neutral spirits; that the industry was unable to absorb these differences on the ceiling prices in March at which they were frozen; that they could continue manufacture if allowances were made for the difference in the cost.

A study was made of these costs; actual invoices were submitted by many of the firms applying for the price change, and after clearance of the policy of allowing the increase, this regulation was issued which provided that that additional cost should be added to the March price established for those items in which the high wines were substituted for neutral spirits.

Mr. MATTICE. Let me interrupt you there to ask who made those recommendations which you mentioned concerning their inability to proceed on the basis of the prices as they had been frozen at the

March level? You say that recommendations and suggestions were made to your Office. Who made those recommendations and suggestions?

Mr. SANDERSON. They were made by individual companies and through the League of Distilled Spirits Rectifiers, representing a substantial number of the users of the commodity and the manufacturers of the type of distilled spirits in which this substitution was made.

Mr. MATTICE. How were those suggestions and recommendations and requests made, in writing, or were there meetings at which various individuals made statements?

Mr. SANDERSON. They were made in both ways. Our regulations provided that a petition for amendment to a regulation be submitted in writing. Such petitions were submitted. In addition to that, individual members of the industry presented their views, both in person and by letter.

Mr. MATTICE. Let me ask you also at this point this question: The Office of Price Administration now has what is known as an advisory committee, does it not?

Mr. SANDERSON. Yes, sir.

Mr. MATTICE. Did it have at the time that you are now speaking of, back in 1942?

Mr. SANDERSON. No; it did not.

Mr. MATTICE. Did it have some arrangement whereby it used an advisory committee that was then set up in another agency of the Government?

Mr. SANDERSON. No, it did not.

Mr. MATTICE. When did the Advisory Committee come into the picture in respect to the Office of Price Administration?

Mr. SANDERSON. That came in during the spring or summer of 1943 as a definite policy.

Mr. MATTICE. And did not exist in 1942?

Mr. SANDERSON. Not as a formal advisory committee.

Mr. MATTICE. Will you resume your statement at the point where I interrupted you?

Mr. SANDERSON. I repeat that representations were made by petitions for amendment and by letters and by personal calls and visits, both to the national office and to our regional offices by members of the industry so affected.

Mr. MATTICE. What was the date of that order in 1942 of which you speak?

Mr. SANDERSON. It was issued on August 1, 1942.

Mr. MATTICE. What is the number of it?

Mr. SANDERSON. MPR 193. The issue date is at the end of page 3.

Mr. MATTICE. Did that undertake to fix dollar-and-cent prices on the various items of alcoholic beverages?

Mr. SANDERSON. No.

Mr. MATTICE. Or did it accomplish the fixing of prices in some other way and, if so, will you tell us about that?

Mr. SANDERSON. No. This order contained nothing different from the pricing procedure under the general maximum price regulation with the exception of the substitution of high wines, of which I have just spoken. It continued the pricing procedure of freezing the March base price of each seller.

Mr. MATTICE. That would relate to retailers and wholesalers both? Mr. Sanderson. All branches of the industry, including processors, wholesalers, and retailers.

Mr. MATTICE. Did that order, No. 193, establish or authorize what we hear and read of as mark-ups or did that come later?

Mr. SANDERSON. That came later.

Mr. MATTICE. How long did this system continue under this order, No. 193?

Mr. SANDERSON. As to distilled spirits—

Senator FERGUSON (interposing). May I interrupt? These prices as of March. That was back in 1943?

Mr. SANDERSON. No; March 1942.

Senator FERGUSON. When was the order, Mr. Mattice, in August?

Mr. MATTICE. August 1, 1942.

As I understand you, that, in substance and in effect, simply continued the freeing system which had been previously inaugurated?

Mr. SANDERSON. That is correct.

Mr. MATTICE. And did not undertake to fix prices specifically and as a result, if I have the picture in mind correctly, one wholesaler might have one price and another wholesaler would have an entirely different price for the same article or the same grade and quality of goods, depending on what his price was in the base period?

Mr. SANDERSON. That is entirely possible; yes.

Mr. MATTICE. And the same is true of retailers, I take it?

Mr. SANDERSON. Yes, sir.

Mr. MATTICE. When was it that further change was made and the mark-up system came into use?

Mr. SANDERSON. The mark-up system, so-called, is contained in article 5 of Maximum Price Regulation No. 445, the date of issue being August 9, 1943, and the effective date August 14, 1943.

Mr. MATTICE. A year later then, approximately?

Mr. SANDERSON. Approximately 1 year after the issuance of MPR 193.

Mr. MATTICE. What is the number of that?

Mr. SANDERSON. MPR 445.

Mr. MATTICE. The one I have is dated December 18, but that is not the one of which you are speaking?

Mr. SANDERSON. No. This is the original.

Mr. MATTICE. Will you tell us about that? How did it come about, who suggested it, who advised it, recommended it, and who had to do with promulgating it?

Mr. SANDERSON. This came about as a result of the difficulties of operating at the wholesale and retail levels under the separate maximum prices which you have just mentioned, namely, the same item may be sold at different prices by different retailers due to the establishment of the March freeze price. It was noted by the Office of Price Administration, as the supply of distilled spirits began to decrease at the end of 1942 and early in 1943, that there was increased difficulty in maintaining an adequate pricing system under the March freeze.

Senator FERGUSON. Will you explain that a little more? I do not know as I understand what you mean by that. How would scarcity affect it?

Mr. SANDERSON. Scarcity, of course, had the effect of possibly increasing—

Senator FERGUSON (interposing). Showing it up?

Mr. SANDERSON. Let us say the temptation, at least, to forget the March 1942 established price. It resulted in many outlets, perhaps, selecting prices that were not actually their March 1942 price.

Senator FERGUSON. Can we boil it down to say it created a black market?

Mr. SANDERSON. It probably had not gone quite that far. It had gone, at least, to the point where there was a noticeable increase in the prices that appeared to be out of line with the March 1942 level.

Senator FERGUSON. Did the O. P. A. do an awful lot in keeping prices in line with that August 1, 1942, order?

Mr. SANDERSON. There was relatively little difficulty during the early months in which that regulation was in effect. Of course, the discontinuance of distillation did not occur until early in October and the real effect of the pricing provisions on distilled spirits was probably not noticeable until the impending new tax on November 1, 1942.

It was felt that up to that time, the March freeze technique was reasonably satisfactory.

Senator FERGUSON. Up until what time?

Mr. SANDERSON. Up until the next tax took effect.

Senator FERGUSON. When was that?

Mr. SANDERSON. November 1, 1942.

Senator FERGUSON. Then what happened between November 1, 1942, and August 1, 1943?

Mr. SANDERSON. A great deal happened, as far as we were concerned, through a study of the situation in an effort to arrive at some satisfactory solution by which prices might be made uniform.

Senator FERGUSON. The O. P. A. never undertook to ration intoxicating liquor, did it?

Mr. SANDERSON. O. P. A. has no authority under the law to ration. It acts as the agent of the War Production Board when they issue an order to O. P. A. to ration.

Senator FERGUSON. Have you ever advocated rationing? You say you do not have the authority. Have you ever advocated it?

Mr. SANDERSON. As far as the Beverage Section is concerned?

Senator FERGUSON. I am talking about any article. Is that not one of the things you do? You advocate rationing so that you can fix prices?

Mr. SANDERSON. I am not competent, of course, to speak for O. P. A. in that respect. I can only say, as far as any activities with which I was connected, I had no authority whatever even to advocate it.

Senator FERGUSON. But you have not advocated it in liquor or in wines?

Mr. SANDERSON. I have never advocated it because it has not been possible for me to speak on it. It is not in my authority.

Mr. MATTICE. What is your personal notion about that, then? Would you, if you had had the authority to do it, have been inclined to recommend rationing at the time you are speaking of, August 1943?

Mr. SANDERSON. No; I am not able to state whether or not I would because conditions at that time would have, of course, affected the decision and conditions have changed. I do not think I can say definitely.

Mr. MATTICE. What do you think about it as of this time, whether intoxicating beverages might best have been rationed beginning about August 1943?

Mr. SANDERSON. Having been concerned only with carrying out pricing—

The CHAIRMAN (interposing). You can give an opinion, can you not? What is your opinion? That they be rationed or not? What is your opinion on that?

Mr. SANDERSON. I think it is a difficult position to be put in to speak or to express an opinion on a policy of government in which we merely act as an agent.

The CHAIRMAN. How can this committee get the facts if we do not get them from men like you who work with this thing from morning to night? We do not know anything about it. This is a fact-finding committee.

Mr. SANDERSON. Right.

The CHAIRMAN. Do you not want to express an opinion on how you personally feel about that live issue?

Mr. SANDERSON. I would really prefer not to.

The CHAIRMAN. Why not? Are you afraid of some superior officer or something? What is the reason?

Mr. SANDERSON. No, sir; it is not that, but I am doing my best to explain my position.

The CHAIRMAN. I know and you are explaining it in the terms of the economist. We are just plain members of the Senate and wish you would give us some advice, if you can, as to what is the proper thing to do.

Mr. SANDERSON. As a matter of fact, it is being rationed in several States at the present time.

Senator FERGUSON. That is under State regulation?

Mr. SANDERSON. Yes.

Senator FERGUSON. Do you not have any opinion on this question of rationing intoxicating liquors or wines?

Mr. SANDERSON. Obviously, I have a personal opinion.

Senator FERGUSON. What is it?

Mr. SANDERSON. My personal opinion is that it is not necessary for the Office of Price Administration to have any part in the rationing program of distilled spirits; that it would be impractical, that it would not assist in our pricing technique.

Senator FERGUSON. Then you think that if there is anything that can be done, it can be done solely by pricing?

Mr. SANDERSON. By pricing and by the rationing that is done by the industry itself.

Senator FERGUSON. You think that a monopoly should be created within the industry itself to create this rationing?

Mr. SANDERSON. No, sir.

Senator FERGUSON. Then will you tell us how they can ration themselves if they do not have a monopoly and why has not that same technique been applied to all industry and all products if that is true?

Mr. SANDERSON. That is a product which is out of production.

Senator FERGUSON. Is it out of production? Do they not get some alcohol from fruit juices and do they not get it from high wines and also from the Caribbean district?

Mr. SANDERSON. They get spirits from imported spirits and there is some available from fruits.

Senator FERGUSON. Do I understand you to say that if a product is out of production, then it should not be rationed?

Mr. SANDERSON. No.

Senator FERGUSON. Is that not just the time that it should be rationed, because you only have a given amount and it ought to be equally divided?

Mr. SANDERSON. That is not what I said. What I said was I felt that the rationing would have to be done by the industry itself.

Senator FERGUSON. Then why have not the other industries that have quit making products—let us take the automobile industry for they rationed those—They did not say to the automobile manufacturers, "You form a monopoly and do the rationing," did they? Has there been any other industry where they have quit manufacture where the Government has said to them "You do the rationing yourselves." Has there been any other and if there has not, why do you apply it to the liquor business?

Mr. SANDERSON. I feel that we have a different condition here. We have a limited supply of a certain ingredient to distilled spirits. We have a possibility of extending that supply according to the method of manufacture, according to the manner in which it is stretched out and a Government agency might find it extremely difficult to apportion the goods in a manner that would serve for the best interests of the consuming public if it attempted to ration the product.

Senator FERGUSON. Have you ever considered, though, that the way you are doing it now is for the best interests of the corporations who have it, to allow them to put on rationing?

Mr. SANDERSON. We have not had to consider that. I am, of course, giving these at your request as my personal views. It is nothing that we have considered in O. P. A., naturally.

Senator FERGUSON. We take it for granted you are an expert on this line of rationing and price fixing.

Mr. SANDERSON. Rationing I have no connection with whatever. I endeavored to be excused from expressing an opinion on the ground that my only experience on O. P. A. is with the price department and not with rationing. We have no connection whatever with that department.

Senator FERGUSON. W. P. B. is the only rationing agency?

Mr. SANDERSON. Yes, sir. They have the authority to initiate rationing.

Senator FERGUSON. Have you ever heard why they did not ration this product?

Mr. SANDERSON. Only to the degree that I believe it has been considered that rationing should be confined, as far as possible, to the essential commodities and that it was impractical for Government agencies to undertake rationing of, let us say, nonessential or nonfood items.

Senator FERGUSON. Is that the basis here? Is that the basis that was applied here, that it was a nonessential and, therefore, they did not ration the product?

Mr. SANDERSON. That, of course, I do not know.

Senator FERGUSON. Let us take price fixing. Is price fixing along the same line? You do not fix prices on luxuries do you?

Mr. SANDERSON. Yes; we do, with few exceptions.

Senator FERGUSON. As to price fixing, that goes all along the line in every line; is that right?

Mr. SANDERSON. That is reasonably correct. We have certain special items that are exempt because it is impossible to administer price control.

Senator FERGUSON. I saw this morning you were not going to place prices on high grade fur coats. Is that because it was a luxury?

Mr. SANDERSON. No. The word "luxury" in and of itself is not a criterion for determining. I think it is the feasibility of controlling prices on certain items and the fact that they might be regarded as having an insignificant effect upon the cost of living.

Senator FERGUSON. Did you consider that the cost of liquor was one of the items of the cost of living? The Government has failed to put it into the index of the cost of living, has it not?

Mr. SANDERSON. That is true. On the other hand, the Office of Price Administration has considered that important items purchased by the consumer have an effect upon the cost of living and in that way, distilled spirits being an important item purchased by the consumer, will have to be considered in the same light for price control purposes.

Senator FERGUSON. Then that being true, why did the O. P. A. let it go from August of 1942 to August of 1943 before they attempted to put a price on other than that that had been voluntarily placed on it in March 1942?

Mr. SANDERSON. Well, there was no letting it go. The price control was established by the General Maximum Price Regulation back in May 1942 and continued. It is purely a matter of the method under which the control of prices operates.

Senator FERGUSON. How much did it reduce or increase prices when you put the new order in in 1943?

Mr. SANDERSON. It is our belief that it resulted in some reduction of prices at the wholesale and retail levels because of its stabilizing effect and because it provided a basis under which every wholesaler and retailer could immediately establish a maximum price and thereby relieve the uncertainty which did exist in many cases as to what the proper maximum price was. This was a simplified method under which the industry was to proceed.

Senator FERGUSON. What percentage did it reduce the cost of living, as far as liquor was concerned?

Mr. SANDERSON. We have no way of knowing.

Senator FERGUSON. It was merely put in so that you would have a stabilized price in the Office of Price Administration?

Mr. SANDERSON. It was to accomplish for the industry an easy method of determining a proper maximum price.

Senator FERGUSON. Was it done on the request of the industry?

Mr. SANDERSON. It was done after consultation with the industry.

Senator FERGUSON. My question is: Was it done on the request of the industry? There is a difference between consultation and request.

Mr. SANDERSON. I would say that it was done jointly by the request of the industry and at the instigation of the Office of Price Administration.

Senator FERGUSON. Who in the industry requested you to fix the prices?

Mr. SANDERSON. I doubt if we have a record of any specific requests.

Senator FERGUSON. Let us talk about that which you have, whether it is down in writing or not. Who requested you to fix these prices, as far as the industry was concerned?

Mr. SANDERSON. I would have to answer that it was the general opinion of the entire industry, as far as it was possible for us to contact them.

Senator FERGUSON. All right. How did you get the general opinion? How did you personally get the general opinion?

Mr. SANDERSON. We called a meeting, after working out our general plan.

Senator FERGUSON. Did you work it out before you even knew anything about whether the industry wanted it or not?

Mr. SANDERSON. We did not.

Senator FERGUSON. Who came to you first about working it out? In other words, if the industry had been satisfied, we would have heard no more about the price fixing. It would have been fixed under the order of March 1942, or the August 1943 order. Now, you say the industry comes to you. Who comes in behalf of the industry? They are not satisfied, I take it, and they come to you for price fixing.

Mr. SANDERSON. As I attempted to say, it is not that the industry came to us before we did anything, but rather that we initiated the idea for the purpose of providing something satisfactory to the industry and that as we began to formulate an idea, we consulted, through visits with our regional offices, with the sentiment in various parts of the country.

Senator FERGUSON. Who were you consulting through your regional offices? Were you consulting the price or were you consulting the industry?

Mr. SANDERSON. Consulting the industry, the wholesaler and the retailer.

Senator FERGUSON. Who was consulted as far as the manufacturers were concerned?

Mr. SANDERSON. The manufacturers were not consulted as a group. The manufacturers were not included as a definite consultant.

Senator FERGUSON. Then I understand you were going to fix prices without any consideration of the manufacturers. They were not consulted. How can you fix a price if you do not consult with the people who own it?

Mr. SANDERSON. The manufacturer does not own it at these levels. It has been sold to the wholesaler.

Senator FERGUSON. You appreciate the fact they had it in the warehouses. There was very little liquor in the wholesalers' warehouses. The real liquor of America is in the manufacturers' warehouses where the tax has not been paid.

Mr. SANDERSON. I think it may be easier to visualize this if you appreciate we were not particularly changing the price level. We were providing for a uniform method.

Senator FERGUSON. Did you ever go into the retailers to find out whether the price should have been changed, whether it was too high or not, or did you not consult the consuming public?

Mr. SANDERSON. We had no occasion to do that because of the fact that we had set the price at the March 1942 level.

Senator FERGUSON. How did you know that that was a fair price at March 1942? For instance, when you wanted to fix rents up in Michigan, you were back to March 1941. Why did you take the liquor date as of March 1942 as being fair to the consumer?

Mr. SANDERSON. The pricing of all commodities was on the basis of March 1942. That was originally done by the Administrator in carrying out the Emergency Price Control Act. He had to select a period that most closely represented the period designated by the Congress and for that purpose the month of March 1942 was selected.

Senator FERGUSON. Why did you take a different date on rents, then?
Mr. SANDERSON. Again you are out of my field and I cannot answer competently.

Senator FERGUSON. It was not the policy of Congress. They did not tell you that you had to take March of 1942 in fixing all prices, did they?

Mr. SANDERSON. No; I did not state that. I said the Administrator selected the month of March 1942 as most closely approximating the period which Congress did indicate to be used.

Senator FERGUSON. Let us get back to the other proposition now. Who did you consult in the industry to fix these prices as of August 1943?

Mr. SANDERSON. After we had consulted in a general way, we called an industry meeting of all wholesalers and retailers.

Senator FERGUSON. Give us the names of some of the people who attended that meeting. Who were they?

Mr. SANDERSON. I did not bring with me the minutes of that meeting.

Senator FERGUSON. But you must know some of the people that were there.

The CHAIRMAN. Did you attend the meeting?

Mr. SANDERSON. Yes, sir.

The CHAIRMAN. How many were there?

Mr. SANDERSON. I should estimate that we had approximately 200 representatives of the industry.

The CHAIRMAN. How long did the meeting last?

Mr. SANDERSON. The meeting lasted a full day.

The CHAIRMAN. Speeches were made and suggestions and so forth; is that right?

Mr. SANDERSON. At the time we called the meeting, we had prepared a suggested draft of the proposed regulation.

The CHAIRMAN. Do you know anybody who attended that full-day's meeting? Do you not remember the name of anybody representing the industry who was present?

Mr. SANDERSON. Yes, sir.

The CHAIRMAN. Who were they? That is what Judge Ferguson wants to know.

Mr. SANDERSON. Joseph L. Regan, president of the Package Liquor Retailers Association of America.

The CHAIRMAN. All right; go ahead.

Mr. SANDERSON. Thomas T. Engle, president of the Illinois Liquor Retail Association; Mr. Gerald F. Dunn, executive secretary of the Metropolitan Package Stores Association.

Senator FERGUSON. Have you got a list there of them?

Mr. SANDERSON. No, sir; I am reading from the list of members of the Retailers' and Wholesalers' Advisory Committees of O. P. A. and I am giving some of the names of those who were present from memory.

Senator FERGUSON. Did you have an advisory committee on that day?

Mr. SANDERSON. No, sir.

Senator FERGUSON. Did you meet members of the advisory committee who attended that day?

Mr. SANDERSON. Some of the members of the advisory committee were among those present at that meeting.

Senator FERGUSON. As I understand, no manufacturers were there or no one representing the manufacturers?

Mr. SANDERSON. That is correct.

Senator FERGUSON. There was a self-imposed rationing, as far as the manufacturers were concerned?

Mr. SANDERSON. I think it had taken effect at that time.

Senator FERGUSON. Will you tell us what that rationing really was, on what basis it was placed by the manufacturers?

Mr. SANDERSON. You mean as to a general quota or whether it was on a quota basis?

Senator FERGUSON. What was the rationing system that was voluntarily put in that you approved or that you thought was a good idea?

Mr. SANDERSON. The only comment I have made on rationing was to give an expression of my personal opinion.

Senator FERGUSON. Do you know what the so-called self-rationing was?

Mr. SANDERSON. Speaking only from rumor, it was my understanding it was placed on a percentage of the deliveries during the year 1941.

Senator FERGUSON. What percentage was it on of the 1941 deliveries?

Mr. SANDERSON. I think it varied, necessarily, with each company.

Mr. MATTICE. Why necessarily?

Senator FERGUSON. Why did it vary with each company? What kind of a self-rationing was that? Did not those companies get together and put in a self-rationing?

Mr. SANDERSON. I certainly have no knowledge of anything of that sort. Anything I have ever heard about rationing has been something that was done by the individual company.

Senator FERGUSON. With the knowledge that you have, do you think it was sufficient to tell us this morning here that you thought it was a proper way to do business, that is, to have self-rationing?

Mr. SANDERSON. As to this particular commodity?

Senator FERGUSON. Yes.

Mr. SANDERSON. I still feel so.

Senator FERGUSON. No matter what the self-rationing is, you think that is the proper way to do it. You tell us now, as I understand it, you are not familiar with what the rationing was?

Mr. SANDERSON. There could be an improper execution of the rationing idea.

Senator FERGUSON. Was there a proper or improper self-rationing?

Mr. SANDERSON. To the best of my knowledge, any rationing program of which I have heard indirectly appears to be based on the necessary proper considerations; first, that it be fair and equitable to all distributors and, second, that it provide for the proper consideration of the conditions for which rationing is established, namely, the extension of the commodity over the proper time and the maintenance of the necessary inventory to continue operations.

Senator FERGUSON. Is that the basis upon which this rationing has been done?

Mr. SANDERSON. To the best of my knowledge, that is the basis.

Senator FERGUSON. Have they ever filed with you or do you know where we could get the filing with the Government as to what this self-rationing was?

Mr. SANDERSON. I have no knowledge of any such filing. I see no reason why any distributor or manufacturer would not tell you exactly what his program is.

Senator FERGUSON. If you are going to use self-rationing instead of a mandatory one by the Government, do you not think that the Government ought to know what that is? If they are going to allow it to be substituted for a Government rationing should not the Government know what it is?

Mr. SANDERSON. If it is the Government's concern.

Senator FERGUSON. Is it or is it not the Government's concern about this rationing of liquor? You took it upon yourself to fix prices. It was that much of the Government's concern, was it not?

Mr. SANDERSON. Yes, sir. We have not felt that, so long as there was no evidence of complete withholding of the commodity or—

Senator FERGUSON (interposing). What have you done? What has your department done to look into the question of whether there has been a withholding?

Mr. SANDERSON. We received from the Treasury Department, the Alcohol Tax Unit, figures indicating the volume of distilled spirits and the tax-paid releases and, so far as our observation goes, there has been no indication of a refusal of any branch of the industry to distribute its product.

Senator FERGUSON. Then, as I understand it, as far as your office is concerned, the O. P. A., you are entirely satisfied with the conduct, the operation of the liquor business and the wine business in America?

Mr. SANDERSON. No, sir; I have not made that statement.

Senator FERGUSON. Is there anything wrong either in price-fixing, rationing, or in any other way?

Mr. SANDERSON. That is a very general question. I can only answer that by saying obviously there are a great many difficulties that confront us in pricing.

Senator FERGUSON. Are there any problems to be solved?

Mr. SANDERSON. Yes, sir.

Senator FERGUSON. If so, what are they?

Mr. SANDERSON. There are a great many of them.

Senator FERGUSON. What are they?

Mr. SANDERSON. The establishment generally of simplified price regulations which will enable anyone to know exactly what his maximum price is and to have the maximum price as uniform as far as possible and on as fair a basis. From the standpoint of O. P. A., it is one of the primary objectives in our promulgation of regulations. We believe that goes, to a certain extent, toward eliminating most of the difficulties that now exist.

Senator FERGUSON. Just recently, did you not make an adjustment of prices?

Mr. SANDERSON. Yes, sir.

Senator FERGUSON. What was that?

Mr. SANDERSON. That was the establishment of flat dollar-and-cent prices on new brands of whiskeys, brands established since March 1942. That is illustrative of the suggestion I have just made, that that is our aim, to establish similar prices on all other items.

Senator FERGUSON. As I understand it, all the whiskeys were manufactured prior to October 1942?

Mr. SANDERSON. Yes, sir.

Senator FERGUSON. Then how did new brands come out? How could you make new brands out of the old whiskeys, as far as you were concerned?

Mr. SANDERSON. Any change in the formula or the proof or age.

Senator FERGUSON. That makes a new brand?

Mr. SANDERSON. That makes a new brand.

Senator FERGUSON. And how many new brands came out between March 1942 and now?

Mr. SANDERSON. We are just compiling the figures of filings which are not complete. We believe that they ran into certainly the large hundreds and possibly into the lower thousands taking all items together.

Senator FERGUSON. How do you account for the thousands of new brands that have come on to the market? We have been told here, in a way, that the reason that \$45,000,000 has been spent in advertising since 1939 by the liquor business is that they have to keep these names before the public, that it is essential that the brand name be kept before the public. Now we discover that since 1942, there have been 3,000 new brands come on to the market. How do you account for that?

Mr. SANDERSON. A very large number of them would be private brands, brands of items other than whiskeys and new items introduced in the form of imported spirits. I do not think it has been our finding that the so-called nationally advertised brands, that is, the big ones on which the large advertising money may have been spent, have generally changed very much. The new brands are in a relatively different field. They are mostly private brands of the wholesaler or retailer, or new brands of the small processor.

Senator FERGUSON. Have they not been put on the market to get a greater price for an inferior grade of liquor? Is that not the purpose of them?

Mr. SANDERSON. It might be, in certain cases.

Senator FERGUSON. Is it not true that the O. P. A. has not kept up with that proposition and has allowed it to exist?

Mr. SANDERSON. Insofar as the O. P. A. can be charged with delay in getting out its regulation, which is now in effect, and which might have been put into effect somewhat earlier had the O. P. A. been able to do so, that is true. In this regulation, we believe we have cured that particular thing.

Senator FERGUSON. You contend that this last regulation—that is the date of it?

Mr. SANDERSON. December 27, 1943.

Senator FERGUSON. And this last regulation of December 27, 1943, has cured all the evils of these 3,000 new brands?

Mr. SANDERSON. No sir; it has not. I say as to whiskeys we believe that the flat prices in here will very definitely cure the pricing trouble involved on new brands of whiskey because we have established specific dollar-and-cent prices for all those new brands.

Senator FERGUSON. How do you do it in the new regulation? How do you fix the dollar-and-cent price on a new brand?

Mr. SANDERSON. According to the age, proof, and formula. We have a table which enables a processor to tell immediately what his price should be.

Senator FERGUSON. In other words, as far as the O. P. A. is concerned, all whisky of a certain age, proof and formula is of the same value to the consuming public, is that true?

Mr. SANDERSON. It receives the same price.

Senator FERGUSON. Therefore, as far as you are concerned, it must be of the same value, is that not true, to the public? As I understand it, one of the purposes of price fixing is to protect the consuming public; is that not true?

Mr. SANDERSON. That is correct.

Senator FERGUSON. Therefore, all whisky of the same age and the same proof—what else do you use?

Mr. SANDERSON. The formula, whether it is a straight whisky or blended whisky containing neutral spirits.

Senator FERGUSON. That would be proof. Then they would all be of the same value, is that true?

Mr. SANDERSON. They would be of the same price.

Senator FERGUSON. Then, as I understand it, price and value have no relation in this price fixing?

Mr. SANDERSON. You use the word "value" in connection with the customer?

Senator FERGUSON. What does a customer look at? He looks at value, does he not?

Mr. SANDERSON. Yes; but his opinion may be very different as to whether he wants a light whisky or a heavy one.

Senator FERGUSON. It is your contention, then, that the same price should be fixed on these liquors?

Mr. SANDERSON. It is our contention that for the protection of the public, we have certain factors that we can use in establishing whisky values, namely, the age, the proof and the formula. These are required to be shown on the label by the Alcohol Tax Unit. The public knows what it is getting. It knows the difference between a whisky of 100 proof and one of 80 proof. We have provided specific prices for all new brands of whisky of a given age and a given proof.

Senator FERGUSON. As I understand it, the advertising will do very little good, as far as the corporations are concerned because you have fixed this price and they are all the same, whether it is an advertised brand or not an advertised brand?

Mr. SANDERSON. This new price relates only to the new brands established since March 1942.

Senator FERGUSON. What about the old brands?

Mr. SANDERSON. The old brands are continued under their March freeze prices.

Senator FERGUSON. Do I understand, then, that any liquor in existence, any brand in existence in March 1942, that brand has been continued at the price at which it sold in March 1942?

Mr. SANDERSON. That is correct provided, it has maintained the same age, proof, and formula.

Senator FERGUSON. So you allow the advertised brands, those prior to March 1942, to continue at the same price as the March 1942 price?

Mr. SANDERSON. That is hardly a fair statement because the advertising has nothing to do with it.

Senator FERGUSON. I take it that those were the old brands if they were advertised brands?

Mr. SANDERSON. They might have been or not. All the brands on the market in March 1942 continue at the same price.

Senator FERGUSON. Let us take a liquor that was branded. Let us take, for example, Mammoth Cave. Are you familiar with that brand?

Mr. SANDERSON. No, sir.

Senator FERGUSON. Let us take that. That was an old brand prior to March, 1942. If that had the same proof, the same amount of raw spirits as a new brand put in since then, the mixture is the same, as you call it, will the price be the same?

Mr. SANDERSON. Not necessarily. If the brand was on the market in March 1942, it may have a price different from the flat price which we have established on new brands.

Senator FERGUSON. All right. Then that Mammoth Cave could charge a higher price than a new brand put in since that or it may even have a lower price because it had a lower price at that time than the new brand put in since; is that right?

Mr. SANDERSON. That is possible. If it has a lower price, we have permitted it to come up to the new flat price.

Senator FERGUSON (interposing). How is the public going to tell anything about this pricing by the O. P. A.? Do you think the public is familiar with this proposition that the old brands have the March 1942 price and that new brands have either a lower or a higher price, even though they are the same liquors?

Mr. SANDERSON. We have attempted, at the time of getting out our regulations, to issue press releases and to make that situation clear. I am not sure.

Senator FERGUSON (interposing). That it is clear?

Mr. SANDERSON. I am not sure that the press has given adequate notice of that.

Senator FERGUSON. But that can happen. How did you fix the prices under this new order of December 1943?

Mr. SANDERSON. Those prices were determined after a very careful study and review of the prices which were in effect during March 1942, and what was found to be a fair average of all the March 1942 prices for the particular type of whisky adjusted for the addition of rectification tax, where it is paid, was used as a base figure in determining the figures used in the tables, so that, giving due allowance to the average prices in March 1942 and treating our study at least on the liberal side, we have reached figures which were found to be a fair average and better than the mean average of the prices in March 1942, for the particular type, age, and proof. It results in this fact, that the man coming out with a new brand is assured of the ability to enter business because he can receive at least an adequate price that has a margin over the cost of the bulk whisky.

I might add that these tables reflect the ceiling prices of bulk whisky established under M. P. R. 193.

Senator FERGUSON. When you made the statement with the Federal Register, did you give any justification for the new regulations and, if so, what were they?

Mr. SANDERSON. We do not print in the Federal Register the statement of considerations which accompanies each regulation. That is filed but not printed. A statement of considerations was issued.

Senator FERGUSON. Will you give us the considerations this

morning, why you put that order in, and did you use any such statement that the evasion of the earlier price ceilings was avoided by the changing of the labels and the formulas?

Mr. SANDERSON. We used a statement of which that wording is reminiscent. I think that statement appears in the press release rather than in the statement of considerations.

Senator FERGUSON. Did you not file something with the Federal Register?

Mr. SANDERSON. We filed the regulation with the Federal Register. Senator FERGUSON. Do you not file with the statement the cause of issuing the new order?

Mr. SANDERSON. A statement of considerations?

Senator FERGUSON. Yes. Did you not do that?

Mr. SANDERSON. Yes, sir.

Senator FERGUSON. Did you put in there the fact that it was the evasion of the earlier prices through the changing of labels and formulas?

Mr. SANDERSON. I would have to refresh my memory on the wording used in the statement of considerations.

Senator FERGUSON. We will have that put in the record later.

Do you know whether or not the regulations have had the effect of—take the price of Old Taylor and Old Grand Dad and other straight whiskeys, that you allow these new brands now to be manufactured with 75-percent neutral spirits or even fruit spirits to sell at a higher price?

Mr. SANDERSON. No; I would say definitely we do not allow that.

Senator FERGUSON. That is not allowed?

Mr. SANDERSON. No. No new brand containing 25 percent whisky and 75 percent neutral spirits, which is a new brand would sell at the price of the highest-selling old brand. I can make that as a general statement.

Senator FERGUSON. You are talking about the highest price. I am talking about two whiskeys.

Mr. SANDERSON. You have named two of the highest-priced whiskeys.

Senator FERGUSON. They were the highest priced. Will you check this particular question that I gave you?

Mr. SANDERSON. Yes, sir.

Senator FERGUSON. I want to know this about the new brands coming in up until December 1943, how did they get their prices?

Mr. SANDERSON. Speaking at the manufacturing level, they priced by comparing with the manufacturer's most similar item or if the manufacturer had no similar item, by the most closely competitive item.

Senator FERGUSON. Was that voluntary or did they have to come to you and get a price?

Mr. SANDERSON. No, they had to determine the price by establishing—

Senator FERGUSON. You say "They." You are talking about the manufacturer?

Mr. SANDERSON. About the manufacturer, yes, sir.

Senator FERGUSON. The manufacturer wanted to get out a new labeled whisky, and the maker, himself, took a competitive brand and used that as a pricing formula, is that right?

Mr. SANDERSON. That is right.

Senator FERGUSON. Then what did they do, come to you and get it approved?

Mr. SANDERSON. They filed, after August 1943—

Senator FERGUSON (interposing). Let us take between March of 1942 and August of 1943. What would they do with a new brand?

Mr. SANDERSON. They would establish the price by comparison with their own or their competitors' items of a similar type, age and proof and file their determination of that maximum price in their establishment as a record for examination by O. P. A.

Senator FERGUSON. Did O. P. A. look over all these prices and see that they were fair and reasonable to the consuming public or did you take the word of the manufacturer?

Mr. SANDERSON. We had no one to examine every price.

Senator FERGUSON. Then we assume that the manufacturer, between August of 1942 and August of 1943, placed his own price on a new brand because it was not sold as of March 1, 1942?

Mr. SANDERSON. That is correct. He placed his own price by establishing—

Senator FERGUSON (interposing). And you had no way of checking it up?

Mr. SANDERSON. We had a method of checking it up because he was required to file it in his establishment.

Senator FERGUSON. Did you ever check any of them and change the prices because they were unreasonable?

Mr. SANDERSON. Yes, sir.

Senator FERGUSON. Name some of them.

Mr. SANDERSON. I cannot name them from memory. I can say whenever we had a complaint against the establishment of a price improperly determined, we did check them up.

Senator FERGUSON. Does that not account for the 3,000 new labels? Why do you think they made 3,000 new labels and new brands?

Mr. SANDERSON. I think there are several things that do account for it.

Senator FERGUSON. You do not think that that was the big reason, because it gave them the right to place their own price?

Mr. SANDERSON. To some degree I believe that is correct. It was used as a device in certain instances for evading price ceilings. We have not any question of that. We believe that that was actually done in a number of cases and the very fact that that condition did exist made us—

Senator FERGUSON (interposing). Put your December 1943 order in, is that not true?

Mr. SANDERSON. That is one of the controlling reasons, yes, sir.

Senator FERGUSON. And now you try to place your own standard instead of letting the manufacturer place his own standard?

Mr. SANDERSON. Correct.

Senator FERGUSON. Do you think you have it foolproof at the present time?

Mr. SANDERSON. I question whether any regulation we can issue can be called foolproof.

Senator FERGUSON. You know what I mean by that.

Mr. SANDERSON. I think it is as near workable and feasible and practicable a regulation as possible and one that I thoroughly believe will stop this bringing out of new labels for the purpose of price evasion.

Senator FERGUSON. Did you consult the manufacturer in relation to this new order?

Mr. SANDERSON. Yes, sir.

Senator FERGUSON. Have they approved it, as far as you know, or have they objected to it?

Mr. SANDERSON. No; I think the consensus of opinion among the manufacturers is decidedly in approving the theory. We had a fairly large meeting of all the distilling and rectifying industries before the order was issued; showed them, in a general way, what we proposed to do, and we found them generally in accord. The reaction of the press and the industry as a whole has been favorable toward this flat pricing regulation.

Senator FERGUSON. How much would you say it has reduced the price, this new regulation, to the consumer?

Mr. SANDERSON. We really have no way of determining that other than our belief that it has had, in general, the effect of rolling back prices determined by the comparability method to a degree.

Senator FERGUSON. Is this not what would happen, that a man would not roll back his price? He just would not give the new brand. He will sell his old brand. It will not roll back the price, will it? Do you know of one case where it has rolled back the price, where there has been a remarking up of a price?

Mr. SANDERSON. We will have a large number of such cases which we can report to you when we receive the reports as are required here when the manufacturer does change his price.

Senator FERGUSON. On what percentage would you say it has rolled the price back?

Mr. SANDERSON. On the brands actually rolled back, we believe it perhaps will be an average of between 5 and 10 percent.

Senator FERGUSON. Will you give us the names of some of the brands that have been rolled back 5 to 10 percent?

Mr. SANDERSON. No, sir; I cannot do it because we do not have the reports. They are not filed yet. They will be filed and we will be able to give the committee anything they wish along that line.

The CHAIRMAN. You say that you are head of the Beverage Section. What beverages does that include?

Mr. SANDERSON. Domestic distilled spirits, imported distilled spirits, domestic wine, imported wine, beer, soft drinks, hops, which is not a beverage, of course, and ice.

The CHAIRMAN. And ice?

Mr. SANDERSON. Ice; yes, sir. Those are the items handled by the Beverage Section.

The CHAIRMAN. What is the number of your employees or officers in your section?

Mr. SANDERSON. We have a staff of seven men plus our stenographic help. At the present time, we have two vacancies in the staff.

The CHAIRMAN. What is the total of the staff and employees?

Mr. SANDERSON. Five men; two women, who are price analysts, and two stenographers.

The CHAIRMAN. Nine all told?

Mr. SANDERSON. Yes, sir.

The CHAIRMAN. Do you have any dollar-a-year men on your staff?

Mr. SANDERSON. No, sir.

The CHAIRMAN. Do you have any representatives of distillers on your staff?

Mr. SANDERSON. You mean presently connected with the distilling industry?

The CHAIRMAN. Yes; or who were formerly connected with it?

Mr. SANDERSON. One of our senior business specialists was formerly connected with the Brown-Forman Distilling Co. and the T. W. Samuels Distilling Co.

The CHAIRMAN. What was his name?

Mr. SANDERSON. Edward G. Budde.

The CHAIRMAN. Do you know whether he still draws a salary with that distilling company?

Mr. SANDERSON. I know he does not.

The CHAIRMAN. What is his salary with you?

Mr. SANDERSON. In dollars, or his rating?

The CHAIRMAN. In dollars; I do not care anything about his rating.

Mr. SANDERSON. \$4,600.

The CHAIRMAN. Then your advisory committee, big distillers are represented on that, are they not?

Mr. SANDERSON. The advisory committee of O. P. A. for the distillers was taken over from the original War Production Board and later the advisory committee of the War Food Administration. At the time that the Administrator requested the various departments of O. P. A. to proceed promptly with the organization of industry advisory committees, it was recommended that the same personnel be used on the O. P. A. committee as was on the W. F. A. committee if that was practicable.

The CHAIRMAN. Schenley has a representative on that committee, does it not?

Mr. SANDERSON. Yes, sir.

The CHAIRMAN. Who is that?

Mr. SANDERSON. J. B. Deacon, vice president.

The CHAIRMAN. Has National Distilleries a representative on the committee?

Mr. SANDERSON. Yes, sir; Eric Stainton, vice president.

The CHAIRMAN. And these two men are members of the advisory committee to the Beverage Section of O. P. A., W. B. P., and War Food Administration?

Mr. SANDERSON. They are of the War Food Administration. The W. F. B. no longer has a distillers' advisory committee, as such I believe, from hearsay, they have in their Alcohol Division a separate advisory committee handling the problem of alcohol.

The CHAIRMAN. You have on your committee James G. Brownlee, too, do you not?

Mr. SANDERSON. No, sir.

The CHAIRMAN. Who is with the Frankfort Distillery Co.?

Mr. BROWNLEE. My name is Brownlee. I am in the room and I will be glad to answer any question.

The CHAIRMAN. You are present. We will get it directly from you, then.

What other representatives of the big four distillers in on the advisory committee?

Mr. SANDERSON. Mr. Howard Walton, vice president of Hiram Walker & Sons, and Mr. H. F. Willkie, vice president of Joseph E. Seagram & Sons.

The CHAIRMAN. So the four big distillers all have representation on your advisory committee?

Mr. SANDERSON. That is correct.

The CHAIRMAN. How often does that advisory committee meet?

Mr. SANDERSON. It has never met officially. It was appointed approximately the 1st of November which date I give from memory only. It was called for its initial meeting on January 11; that is, last week. There was not a quorum present and, consequently the committee was unable to organize, our procedure requiring two-thirds of a committee being present before a chairman can be selected or before the committee can function or give any definite recommendation.

The CHAIRMAN. It has been appointed nearly 3 months and never had a formal meeting; is that correct?

Mr. SANDERSON. That is right. It is only called when there is occasion to have a meeting.

The CHAIRMAN. What would be such an occasion? Give me a typical illustration.

Mr. SANDERSON. We expect to continue our flat pricing tables in Maximum Price Regulation 445 on brandy, cordials, and liqueurs and if the domestic production of rum and gin should warrant, we would price those. Before we determine finally on a regulation for those we would call the industry committee together to consult with us. That would be a typical occasion for calling the committee.

The CHAIRMAN. Have you gone into the question of bottles and bottling in fixing your prices?

Mr. SANDERSON. No, sir. We have general knowledge of the situation as a matter of interest through our contacts with W. F. A. and W. P. B. but only as the occasion might require special pricing if a new container were entered into, as, for example, when the wooden barrel was substituted for fiber boxes for shipment of spirits or wine and then we have to provide some method for pricing. That is generally the occasion on which we know about changes in the container situation.

The CHAIRMAN. What did your Division have to do with the change from full quarts to fifths?

Mr. SANDERSON. We had nothing whatever to do with it.

The CHAIRMAN. Was that voluntary by the manufacturers?

Mr. SANDERSON. As far as we know, it was due to voluntary considerations on their part, some of which may have been connected with their ability to secure certain sizes of glass. The trend toward fifths we found, had taken place considerably before we had anything to do with prices.

Many of the brands sold in March had already gone to fifths. The trend continued after that and I think has continued now to the point where perhaps the fifth has replaced the quart. It was not definitely a new thing that occurred entirely after price control.

The CHAIRMAN. Do you not think you ought to go into that and find out whether that was necessary, to change from full quarts to fifths or not as affecting price? I am staying right within the functions of your division.

Mr. SANDERSON. As far as we are concerned, our pricing is on the basis of quantity so that, naturally, it is immaterial to us what size packages are used as long as the change in the package size does not result in an unfair price to the consumer.

Our pricing method for changing from quarts to fifths requires a reduction of 20 percent in price so that the consumer pays for the quantity contained in the container the same relative amount per ounce, whether it is in fifths or quarts.

The CHAIRMAN. Your ultimate objective of the O. P. A. is to protect the consuming public, is it not?

Mr. SANDERSON. Yes, sir.

The CHAIRMAN. You are not working for the liquor industry or what they want?

Mr. SANDERSON. No, sir.

The CHAIRMAN. It is your business to find out what will cheapen the price or at least establish a reasonable price for the public; is that not true?

Mr. SANDERSON. That is generally a correct statement.

Senator FERGUSON. Why do you qualify that and say it is generally correct?

Mr. SANDERSON. Because the intimation in the question appears to be that our only concern is for the consumer. We have an equal concern for the retailer and the wholesaler and the manufacturer. We are pricing for everybody, in other words.

Senator FERGUSON. Who represents the consumer? You have these other people representing the industry. Who represents the consumer?

Mr. SANDERSON. We have no direct advisory committee representing the consumer.

Senator FERGUSON. Do you think that the question is proper, that you must represent the consumer if he is to have a pleader at all? The others all have their special pleaders.

Mr. SANDERSON. We definitely feel that we do and I endeavored to answer the Senator's question by saying that we felt it was our obligation to watch that the consumer was not cheated by any such change and that we provide that he does not pay any more in proportion for the smaller container than he did for the larger.

Senator FERGUSON. Is this not true, that prior to March 1 when they went to fifths, generally they charged more for the fifth than they did for the quart; that is, they charged about the same? They did not reduce it the 20 percent that you did?

Mr. SANDERSON. I do not think so.

Senator FERGUSON. And that makes their prices as of March 1 on fifths higher than they were?

Mr. SANDERSON. That is not our finding because the items available in quarts were generally not available in fifths. It is not unusual to have the same item priced in both sizes and when both sizes were used it was more general that the price differential represent approximately the 20 percent.

Senator FERGUSON. It did represent the 20 percent?

Mr. SANDERSON. Yes, sir.

Senator FERGUSON. Do you have a man by the name of Dauer working for you?

Mr. SANDERSON. No, sir.

Senator FERGUSON. Did he work with you?

Mr. SANDERSON. Yes, he was with the Beverage Section until January 10.

Senator FERGUSON. Had he been in the employ of a distiller?

Mr. SANDERSON. Yes, sir; he had.

Senator FERGUSON. What distiller was he with?

Mr. SANDERSON. He was with the Continental Distilling Co.

Senator FERGUSON. Was he ever with Schenley?

Mr. SANDERSON. I think he was.

Senator FERGUSON. Was he ever with McKesson & Robbins, the wholesalers?

Mr. SANDERSON. Yes.

Senator FERGUSON. Why was he let out?

Mr. SANDERSON. Through action of the personnel department in connection with his employment record.

Senator FERGUSON. What was it in his employment record; was he not properly serving?

Mr. SANDERSON. I believe that his application for employment contained statements which were found not to be substantiated; possibly exaggerations as to his qualifications.

Senator FERGUSON. Was he doing a good job? Was he doing his work?

Mr. SANDERSON. He was not under my jurisdiction. I only have to state that, generally speaking, I would say that it was a fair job but not as good as might have been expected.

Senator FERGUSON. Was that the reason why you looked at what he put in his application?

Mr. SANDERSON. We did not look into it.

Senator FERGUSON. Did you report that his work was not satisfactory?

Mr. SANDERSON. I believe that some such report was made.

Senator FERGUSON. And that caused them to go back and look at what he had stated in his application?

Mr. SANDERSON. It is possible.

Senator FERGUSON. And that is the easiest way to get a man out of civil service, get him off the job when he is in civil service, when you find some flaw in his application?

Mr. SANDERSON. We did not find the flaw in the application.

Senator FERGUSON. Who did find the flaw in the application?

Mr. SANDERSON. The Personnel Division in the administrative Department.

Senator FERGUSON. Is that not the way you get rid of people who are on the pay roll?

Mr. SANDERSON. This is the only occasion I know of anybody in the Beverage Section leaving under such circumstances, and as nearly as I can remember, the flaw was brought to the attention of the Section rather than the Section bringing it to anybody else's attention.

Senator FERGUSON. Did you not state that this work was not satisfactory and that was reported?

Mr. SANDERSON. I stated that to the best of my knowledge and belief it was reported by the head of the section that his work was not satisfactory.

Senator FERGUSON. What was wrong with his work? Was it in connection with any of the distillers or the industry?

Mr. SANDERSON. No, sir.

Senator FERGUSON. It had nothing to do with that?

Mr. SANDERSON. He was not, let us say, temperamentally fitted to the particular work that we had for him. The intimation contained in the question, if I can assume to judge it, that there was any question as to his properly serving the Government, has not been raised. It is purely a matter of qualification for the position.

The CHAIRMAN. Did you have anything to do in recommending what they call a vacation period or respite period so that these distillers might resume a part of their time in the manufacture of whisky?

Mr. SANDERSON. No, sir; we had no connection whatever with that. That is within the province of W. P. B., that is, presumably as first and perhaps secondarily now with War Food Administration. We have never been consulted or asked to give an opinion.

The CHAIRMAN. You are familiar with the order that was written up and then destroyed one night, are you not?

Mr. SANDERSON. I presume we hear all the gossip and we have heard that.

The CHAIRMAN. This is not gossip. Did you not hear that?

Mr. SANDERSON. To us it was gossip. I have never heard anyone verify it. I have never talked with anyone who knew anything about it. I only got it third-hand.

The CHAIRMAN. Well, if they do not have what they call a vacation period and then don't resume the manufacture of whisky, what effect is it going to have on the price of whisky?

Mr. SANDERSON. So far as the present distribution of the commodity is concerned, and so long as we feel now we are maintaining a set price, we believe that the public will continue to pay the existing ceiling prices where it can secure it through legal channels.

Senator FERGUSON. Do we understand then that no matter how scarce it gets on the market, you and the O. P. A. will maintain the same price and that the scarcity will have nothing to do with the price?

Mr. SANDERSON. That is generally correct.

Senator FERGUSON. Is it correct?

Mr. SANDERSON. As far as pricing.

Senator FERGUSON. I think the public ought to know that.

Mr. SANDERSON. As far as pricing goes, we anticipate that the present level of prices will be maintained.

Senator FERGUSON. No matter what the scarcity you will maintain the price?

Mr. SANDERSON. That is true.

Mr. CHAIRMAN. Is it not also true that the consuming public is not criticizing the price but that the consuming public cannot get it? That is the trouble; is it not?

Mr. SANDERSON. That is the trouble.

The CHAIRMAN. What is the result of that, black markets; is it not?

Mr. SANDERSON. We see it very plainly; yes, sir.

The CHAIRMAN. It is just common knowledge that you can get liquor if you pay the extra exaction of the bootlegger; is it not? Not

bootleggers in the sense of selling liquors on which tax has not been paid, but illegally. That is correct; is it not?

Mr. SANDERSON. That is correct.

The CHAIRMAN. What are you doing to break that up?

Mr. SANDERSON. We are working with the industry in every possible way, with our own agencies, the Alcohol Tax Unit in particular. I mean with our own Government agencies.

Senator FERGUSON. You had one case here in the district where you fined one man about a hundred thousand dollars; did you not?

Mr. SANDERSON. The District did.

Senator FERGUSON. Do you have the facts on that?

Mr. SANDERSON. No, sir.

Senator FERGUSON. Will you furnish to the committee the detailed facts on that?

Mr. SANDERSON. I would appreciate it if that question could be asked of our enforcement officer.

Senator FERGUSON. You have nothing to do with that?

Mr. SANDERSON. We have nothing to do with enforcement and I believe you have a representative of the Enforcement Division here and he can give you all the details on that.

The CHAIRMAN. Who is the enforcement agent?

Mr. SANDERSON. Harold Epstein. He is head of the Agricultural Commodity Enforcement Division. Mr. Epstein is here.

The CHAIRMAN. Do you have any other questions, Mr. Mattice?

Mr. MATTICE. I would like to clear up one thing in connection with what Senator Ferguson was asking you about a certain brand of whisky. The whisky he mentioned was a bonded whisky and the retailer to whom he had reference and who advertised in the newspapers here last month, was selling this particular bonded Kentucky sour mash bourbon at \$4.25 per fifth, which he testified here was the O. P. A. ceiling price, and we understand that it is.

What I want to ask you is if, on your schedule of December 2, which is amendment 9 (that is the first item shown, 100 proof "bottled in bond," 4 years old, average retail price per fifth gallon bottle—\$3.30).

That does not answer Senator Ferguson's question whether the same article might now, under this schedule, sell for more or less, and, in this instance, sells for 95 cents less—is that an example of it or would that not apply?

Mr. SANDERSON. No; this is possible. Of course, this average retail price computed here does not attempt to be the retail price in the District of Columbia. It is probably pretty close to it.

Mr. MATTICE. Let us take it another way. If the bonded liquor about which he inquired about one of the old brands, let us say it was Old Grand Dad, and had a ceiling price in December, before this change came out, of \$4.25 per fifth, that would continue to be the price for that particular liquor, would it not?

Mr. SANDERSON. That is correct. These prices apply only to new brands.

Mr. MATTICE. These prices apply only to new brands which have been brought out in comparatively recent times?

Mr. SANDERSON. Yes, sir.

Mr. MATTICE. Such as, for instance, have been selling for \$4, \$4.25, \$4.50 a fifth?

Mr. SANDERSON. Yes, we believe so; and many of them very much overpriced.

Mr. MATTICE. They have been selling at a price higher than 100-proof bonded whisky and that has been commonly true?

Mr. SANDERSON. We have found it that way; yes, sir.

Mr. MATTICE. I suggest, if you gentlemen please, that this be a part of the record.

Senator FERGUSON. May this be made part of the record, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. MATTICE. Is that the release which your office put out under the date shown there?

Mr. SANDERSON. This is a statement of considerations which accompanied amendment 9 to Maximum Price Regulation 445 which is the regulation which names the specific prices on domestic whiskies concerning which I have been testifying.

Mr. MATTICE. Do you have a copy of amendment 9?

Mr. SANDERSON. Yes.

Senator FERGUSON. When you fix the maximum prices, have you ever found that it does not become the minimum price as well as the maximum?

Mr. SANDERSON. We find many cases in which it is not the maximum price as to items of which there is a continuance of manufacture. Not in whisky; no, sir.

Senator FERGUSON. In other words, when you fix the maximum price, that becomes the minimum price and there is no competition at all?

Mr. SANDERSON. It is generally true that at the present time all sales of whisky and practically all sales of domestic distilled spirits are at the ceiling price.

Mr. MATTICE. Is that the amendment?

Mr. SANDERSON. This is amendment 9; yes.

Mr. MATTICE. May both of those statements be included in the record at this point, Mr. Chairman?

The CHAIRMAN. They may be included at this point.

(The documents referred to are as follows:)

DOCUMENT NO. 23718

OFFICE OF PRICE ADMINISTRATION

STATEMENT OF THE CONSIDERATIONS INVOLVED IN THE ISSUANCE OF AMENDMENT NO. 9 TO MAXIMUM PRICE REGULATION NO. 445

DISTILLED SPIRITS AND WINES

The accompanying amendment to Maximum Price Regulation No. 445 contains the pricing provisions for processors' sales of packaged domestic distilled spirits which the statement of considerations to the regulation indicated would be forthcoming.

Since the inception of price control, conditions in the domestic beverage distilled spirits industry have undergone substantial changes. In March 1942, the production of neutral spirits, for beverage purposes, at or above 190° proof was prohibited. Processors of domestic distilled spirits whose output was not confined to production of alcohol for war purposes were permitted to continue production of high wines at over 100° but less than 190° proof. However, on October 8, 1942, production of all beverage spirits from cane or grain was terminated. Recently restrictions have been placed on the use of glass containers for beverage distilled spirits. Due to those facts, the industry has been placed

in a semiliquidating position. However, concurrently with the shrinkage of supply there arose a greatly increased demand for beverage distilled spirits at the consumer level. The result has been to produce great pressures on prices.

Successive steps were taken by the Price Administrator to meet the price problems created by the limitations on supply and the concurrent increase in demand. Initially, sales of both domestic and imported distilled spirits were subject to the provisions of the General Maximum Price Regulation. In July 1942, Maximum Price Regulation No. 193 was issued. It established maximum prices for sales of domestic distilled spirits by all persons and incorporated the "March freeze" provisions of the General Maximum Price Regulation. However, it made provision for permitted increases for increased costs due to substitution of high wines for neutral spirits formerly used. On November 1, 1942, provision was made for addition of increased federal excise taxes which became effective on that date. In February 1943, dollars and cents uniform maximum prices were established for sales of bulk domestic whiskey (substituting for "freeze" prices therefore applicable), and subsequently price revision was allowed where imported distilled spirits were used to displace certain ingredients of domestic distilled spirits.

The "freeze" method of price control employed in the General Maximum Price Regulation and in Maximum Price Regulation No. 193, despite provisions made to meet changing conditions in the industry, has in part proved inadequate to deal with price pressures created by conditions in the industry. The provisions of Article V of Maximum Price Regulation No. 445 establish uniform margins over net cost for wholesale and retail sales of packaged domestic distilled spirits. It is the function of the accompanying amendment to provide uniform and practical methods for establishing maximum prices for packaged domestic distilled spirits at the processor level. The pricing methods therein provided are admittedly complex in certain respects. However, those complexities are due to the nature of the commodity and the industry which is the subject of the amendment.

An "item" of packaged domestic distilled spirits is defined in the accompanying amendment to mean a "particular brand name, formula, and container size" of a particular classification and subclassification of identity" as provided under the provisions of the Federal Alcohol Administration Act, as amended. The possible combinations of name, container size, proof, age, type designation, and ingredients are, of course, innumerable. A regulation based upon prices charged during March 1942 must, therefore, furnish procedures for uniform price changes to compensate for each possible alteration in the composition of an item. Changes of container sizes and formulae, since March 31, 1942, were many instances made by the processor to meet situations which arose from the limitations on his supply of containers for packaging the commodity. On the other hand, many changes in brand names, container sizes, and formulae were made for the purpose of avoiding or even evading applicable maximum price regulations. Under Maximum Price Regulation No. 193 where changes were made after March 31, 1942, the processor's maximum price for the changed item was determined by adopting the maximum price for his own most similar item sold or offered for sale during March 1942. If he had no such similar item of his own, he adopted the maximum price for the most similar item sold or offered for sale during March 1942 by his most closely competitive seller of the same class. The accompanying amendment preserves in part the "freeze" price of the General Maximum Price Regulation but confines its applicability to those items which are exactly the same with respect to brand name, container size, and formula as sold or offered for sale by the processor during March 1942. For changes to brand name, container size, and formula, the "similarity" method of price determination is discontinued and new uniform methods are provided.

The pricing procedures and methods provided in the accompanying amendment received long and careful consideration. A preliminary draft of the proposed amendment was prepared and submitted to distillers and retailers, and a meeting was held in Washington, D. C., on Friday, June 18, 1943, where representative members of industry discussed the proposal. Subsequently, briefs and comments on the proposal were submitted by many persons affected thereby. Those briefs and comments have received careful study and consideration, and to the extent that recommendations made therein were consistent with the purposes of the Emergency Price Control Act of 1942, as amended, they have been adopted by the Price Administrator in the accompanying amendment. In the judgment of the Price Administrator, the pricing procedures and methods provided in the accompanying amendment furnished a satisfactory and generally fair and equitable method for treatment of the complex problems caused by conditions now

prevailing in the industry. The maximum prices so established satisfy the requirements of the Emergency Price Control Act of 1942, as amended. With respect to those conclusions the Price Administrator has received the concurrence of a great majority of the members of the beverage distilled spirits industry.

I. PRICING PROCEDURES

All items of packaged domestic distilled spirits are placed in three categories for the purposes of the accompanying amendment. Those categories are as follows:

1. Items sold or offered for sale by the processor during March 1942 (brand name, formula, and container size identical with those for the item sold or offered for sale during March 1942).
2. Items of a brand name sold or offered for sale by the processor during March 1942, but of a different formula or container size.
3. Items of a brand name not sold or offered for sale by the processor during March 1942.

Seven different pricing procedures are provided in Appendices A through G, inclusive, of the accompanying amendment. The maximum prices established under those procedures are as follows:

March 1942 maximum prices.—Those prices are provided in Appendix A, and they are applicable only to items in category No. 1 above.

Converted March 1942 maximum prices for a change of container size. Those prices are provided in Appendix B, and they are applicable only to items in category No. 2 above where the change in container size involves such a substitution of formula as to require a change of proof in the Appendix.

Converted March 1942 maximum prices for a change of proof. Those prices are provided in Appendix C, and they are applicable only to items of domestic whiskey, domestic gin, domestic brandy, and domestic rum in category No. 2 above.

Converted March 1942 maximum prices for a change of formula other than proof. Those prices are provided in Appendix D, and they are applicable only to items of domestic whiskey (not including such items containing malt whiskey) in category No. 2 above.

For any items in which two or more changes have been made, the conversion, as applicable to the particular item, must be made first for the change in container size in accordance with Appendix B, second for the change of proof in accordance with Appendix C, and third for the change in formula other than proof in accordance with Appendix D.

Prescribed uniform maximum prices.—Those prices are provided in Appendix E, and they are applicable only to items of domestic whiskey (not including such items containing malt whiskey) in category No. 3 above, and, at the option of the processor, to such items of domestic whiskey in categories Nos. 1 and 2 above.

Special maximum prices by authorization.—Those maximum prices are provided in Appendix F, and they are applicable to items in category No. 1 above which the processor desires to sell to a customer of a class to which he did not sell or offer to sell the item during March 1942. They are likewise applicable to items in category No. 2 above which the processor desires to sell to a customer of a class to which he did not sell or offer to sell the item used as the basis for computing the converted March 1942 maximum price. Special maximum prices by authorization are also applicable to items in categories Nos. 2 and 3 if no other pricing method for the item is provided in the Appendices.

Appendix G contains provisions for adjustment of maximum prices, established under the other appendices, to compensate for substitution of certain ingredient distilled spirits. Those provisions are applicable to all items in categories Nos. 1, 2, and 3 above in accordance with the particular substitution made by the processor. However, adjustments, under Appendix G may be made only, after all adjustments necessary under the other Appendices have been completed.

II. EXPLANATION OF PRICING PROCEDURES

(a) MARCH 1942 MAXIMUM PRICES

A March 1942 maximum price (as provided in Appendix A) is the highest price per case at which the processor sold or offered to sell the same item to a customer of the same class during March 1942, plus the applicable amount of

any new or increased federal, state or local excise tax which became effective after March 31, 1942 and before November 3, 1942. New or increased Federal, state or local excise taxes which are effective after November 2, 1942 may be added to a March 1942 maximum price, in appropriate instances, under provisions of sections 7.3 of Article VII of the regulation.

The March 1942 maximum price does not include any additions permitted under Maximum price Regulation No. 193. Adjustments of March 1942 maximum prices similar to those therefore provided in Maximum Price Regulation No. 193, can hereafter be made only in conformity with Appendix G.

A March 1942 maximum price for an item cannot be used for sales of the item to a class of customers to which it was not sold or offered for sale by the processor during March 1942. Definitive rules are set forth in section 3.3 (c) with respect to processors' customer classifications. Because of the many complications involved in converting a March 1942 maximum price for sales to a class of customers into corresponding prices for sales to another class of customers, the accompanying amendment does not contain self-executing provisions for such conversions. A multiplicity of conversions are possible, such as a conversion for a sale to a retailer in Illinois where the processor during March 1942 sold the item only on a delivered basis to retailers in South Dakota, or a conversion of a price to a particular class of retailers into a price to wholesalers, or a conversion of a price to monopoly states into a price to wholesalers or retailers, etc. In each instance the difference in applicable taxes and freight charges, if included in the basic price, and the mark-ups applied thereto, must be adjusted for the sale to the new class of customers. The OPA has already developed uniform methods for making the necessary price adjustments, but those methods are not made self-operating by the accompanying amendment. In situations involving sales to a new class of customers which in all probability will prove few in number, the processor must establish a special maximum price by authorization in accordance with Appendix F, and the necessary price adjustments will be made by the national office.

(b) CONVERTED MARCH 1942 MAXIMUM PRICES FOR CHANGES OF CONTAINER SIZE

The methods provided in Appendix B are applicable only where the conversion is from and to any of the following container sizes: quarts, fifths, pints, tenths, and half-pints. In instances where any other container size is involved in the conversion, the processor must establish a special maximum price by authorization under Appendix F.

As the basis for the conversion, the processor must use his March 1942 maximum price for the largest container size of the item he sold or offered for sale to the particular class of customers. That requirement is provided because of the industry practice during and prior to March 1942 of basing a price for a particular brand and formula upon the price for the largest container size of the same brands and formula and it serves to furnish a uniform starting point for all container size conversions.

Appendix B is based upon two principles recognized after consultation with members of industry. Those principles are:

1. That except for casing cost, all elements of cost and mark-up vary directly and proportionately with the gallonage content of the case when a conversion is made between cases containing different total quantities (e.g. quarts to fifths); and
2. That for conversions between cases of the same total quantity (e.g. quarts to pints), the proper difference in price is the difference between the respective casing costs.

The casing costs employed in the conversion procedures were determined by analysis of those costs during March 1942 and are as follows:

Case of 12 quarts or 12 fifths	-----	\$1.50
Case of 24 pints or 24 tenths	-----	2.10
Case of 48 half-pints	-----	2.85

The industry will, of course, understand that use of such amounts for purposes of this Regulation does not establish uniform ceiling prices for casing, or in any way affect individual casing ceilings under MPR 165.

It is unnecessary to discuss in detail the conversion methods under Appendix B. They provide a uniform method for compensating changes in maximum prices to cover changes from and to the container sizes generally in use in the industry. The method cannot be used to establish a maximum price for an item

in a particular container size in which it was sold or offered for sale during March 1942. That limitation rests upon the desire of the Price Administrator to preserve established March 1942 price relationships wherever possible, and to provide uniform procedures for adjustment of March 1942 prices only where necessary. Obviously, a processor who sold or offered to sell an item in two or more container sizes during March 1942 must be required to match March 1942 maximum prices for the container sizes in which the item was sold.

(c) CONVERTED MARCH 1942 MAXIMUM PRICES FOR CHANGES OF PROOF

The procedures provided in Appendix C are applicable only to items of domestic whiskey, domestic gin, domestic brandy, and domestic rum. For items of any other classification in which the proof differs from that for the item sold or offered for sale during March 1942, the processor must establish a special maximum price by authorization under Appendix F. From time to time conversion procedures for changes in proof of items such as domestic cordials or liquors will be added to Article III, but until such time as self-executing procedures are developed and adopted, conversions for change in proof of items of other classifications must be made upon individual application in accordance with Appendix F.

As the basis for the conversion provided in Appendix C, the processor must use his March 1942 maximum price for an item of the same brand name, container size, and formula (other than proof) at the highest degree of proof he sold or offered for sale during March 1942. Where the container size of the item sold or offered for sale during March 1942 differs from that for the item to be priced, the processor must first convert the March 1942 maximum price for the item in the container size sold or offered for sale during March 1942 to a converted March 1942 maximum price for the same container size as that of the item to be priced. Without explaining the conversion procedures in detail, they may be described as a method for determining the value of the base item per degree of proof. The converted March 1942 maximum price is then computed by multiplying the unit value per degree of proof of the base item by the number of degrees of proof of the item to be priced. Appropriate provision is made for adjustment of prices to compensate for applicable federal rectification taxes.

The method provided in Appendix C cannot be used to establish a converted March 1942 maximum price for an item of the same brand name and proof sold or offered for sale by the processor during March 1942. The reasons for that rule, and for the rule that the highest proof item must be used as the basis of the conversion, are the same as those for the corresponding rules applicable to conversions for changes in container size.

(d) CONVERTED MARCH MAXIMUM PRICES FOR CHANGES OF FORMULA (OTHER THAN PROOF)

The procedures provided in Appendix D are applicable only to items of domestic whiskey, not including such items containing malt whiskey. From time to time appropriate methods will be established for changes in formula of other classifications. Meanwhile where the formula (other than proof) of an item of packaged domestic distilled spirits (except an item of domestic whiskey which does not contain malt whiskey) is different from that for the item sold or offered for sale by the processor during March 1942, he must establish a special maximum price by authorization for such item under Appendix F.

The pricing methods provided in Appendix D are based upon bulk whiskey prices set forth in Article II of Maximum Price Regulation No. 445 and neutral spirits costs of 65 cents per original proof gallon. Recognition of the latter amount does not, however, alter existing ceiling prices for neutral spirits, but merely affords an appropriate cost factor for purposes of computations under Appendix D.

It is the intention of the highest prices charged during March 1942 by manufacturers of neutral spirits, in accordance with reports made by such manufacturers to the various Regional Offices of the Office of Price Administration. The use of the costs for whiskey and neutral spirits, set forth in Table I of Appendix D, for the purposes of the conversion provided in that Appendix D, is in the judgment of the Price Administrator, generally fair and equitable. The methods embodied in the Appendix were adopted after consultation with industry, and represent the most satisfactory method for the preservation of March 1942 price relationship where a change in the formula of an item is made after March 31, 1942.

Appendix D permits processors to make only one conversion from a March 1942 price of a particular item, and limits use of the conversion formula to instances where the new item is substituted for the old. During and prior to March

1942, general industry practice was to market various types of whiskey under separate brand names. Where the same processor sold spirit blends, blends of straight whiskey, blended whiskey and bottled-in-bond whiskey the practice was to use separate brand names for each type, although whiskeys within a particular type, sold under one brand name, in many instances, varied as to age, proof, or components. The limitations embodied in Appendix D will permit the processor to make compensating price adjustments in instances where change of formula (other than proof) is due to limitations of supply, but will prevent him from constructing an entire price line by making multiple conversions from his item having the highest March 1942 price. Such limitation is, in the judgment of the Price Administrator, necessary to assure effective control of prices, and involves no improper restrictions on the use of brand names.

(C) PRESCRIBED UNIFORM MAXIMUM PRICES

The procedures provided in Appendix E are applicable only to items of domestic whiskey, not including items containing malt whiskey. From time to time appendices will be added to Article III in which prescribed uniform maximum prices will be provided for items of other classifications of domestic distilled spirits. Until such time as prescribed uniform maximum prices are provided for items other than domestic whiskey, as described above, processors of other items of a brand name not sold or offered for sale by the processor during March 1942 must establish special maximum prices by authorization therefor.

Prescribed uniform maximum prices are mandatory for items of domestic whiskey, not including items containing malt whiskeys, of a brand name not sold or offered for sale by the processor during March 1942. Those prices are optional, however, for such items of domestic whiskey of a brand name sold or offered for sale by the processor during March 1942. Appendix E requires that when an item of a particular brand name is sold at a prescribed uniform maximum price, all other items of domestic whiskey of the same brand name, regardless of formula or container size, must be priced in accordance with Appendix E. In that way a processor who wishes to take advantage of any increase available to him through the use of a prescribed uniform maximum price for particular sales must thereafter make all sales of any item bearing the same brand name at the appropriate prescribed uniform maximum price. The Price Administrator is fully cognizant of the possibility of avoiding consequences of that rule by slight alteration in brand name. However, reports filed in accordance with Appendix E will be closely scrutinized and compared with reports filed under Amendment No. 6 to Maximum Price Regulation No. 193.

Prescribed uniform maximum prices are based upon a comprehensive study of prices prevailing in the industry during March 1942. Prices reported on OPA form 635-232-A were available to the staff of the Price Administrator and they provided an accurate and reliable source of information with respect to market conditions prevailing during March 1942. OPA forms 635-232-B and C likewise provided the best source of information for details of price changes which have occurred since March 31, 1942. The prescribed uniform maximum prices provided in Appendix E establish an orderly pattern of whiskey prices in which the price per case varies directly with the age, proof, whiskey content or whiskey and neutral spirits content, and container size. Those standards for price classification have been in general use in the industry for many years, and they are uniformly recognized for labeling and advertising purposes under the regulations of the Federal Alcohol Administration. The prescribed uniform maximum prices are at least equal to the average prices prevailing during March 1942. They are based upon ceiling prices for bulk whiskey, neutral spirits at 65 cents per original proof gallon, applicable federal excise and rectification taxes, and a gross profit margin over those costs.

Table A below indicates the relationship between prescribed uniform maximum prices and actual prices prevailing during March 1942. An examination of that table shows that the prescribed uniform maximum prices bear a "bulk line" relationship to the wide range of first quarter 1942 prices. The prices in Appendix E are substantially lower than those for a small group of very expensive brands, but they are somewhat higher than the prices for the larger group of the remaining brands. Among straight whiskeys and blends of straight whiskey, prescribed uniform maximum prices are equal to or above 84 percent of the March 1942 prices for brands included in the study. For spirit blends those prices are equal to or above 87 percent of the March 1942 prices for such brands. Further prescribed uniform maximum prices closely approximate prices for

many nationally advertised brands sold during March 1942 by the larger distilleries and rectifiers. Table B, below, indicates that many items sold during March 1942 by the five largest distilling companies, the prescribed uniform maximum prices are within 81 of the prices for such items. Tables C, D, and E, below, compare prices for brands introduced into the market since March 31, 1942, with prescribed uniform maximum prices now applicable to such items. The prescribed uniform maximum prices will result in a substantial roll-back with respect to many prices heretofore adopted by processor for such items.

In the judgment of the Price Administrator the prescribed uniform maximum prices provided in Appendix E are generally fair and equitable and satisfy the requirements of the Emergency Price Control Act of 1942, as amended.

TABLE A.—Comparison of prescribed uniform maximum prices with prices¹ of packaged domestic whiskey in the first quarter of 1942

		[Per case of pints]							
		Straight whiskey		Bottled-in-bond whiskey		Blends of straight whiskey		Spirit blended whiskey	
First quarter 1942 retail price per pint		Percent of brands	Average ¹ difference	Percent of brands	Average ¹ difference	Percent of brands	Average ¹ difference	Percent of brands	Average ¹ difference
\$0.90-\$0.99	.....	8.2	+\$3.40	.....	.....	.....	.....	10.0	+\$4.98
\$1.00-\$1.09	.....	36.1	-.65	.....	.....	.....	.....	30.0	-\$3.87
\$1.10-\$1.19	.....	27.8	+\$2.74	.....	.....	7.7	+.83	81.6	+\$2.63
\$1.20-\$1.29	.....	16.4	-.44	15.6	+.45	15.4	+.24	10.0	+.10
\$1.30-\$1.39	.....	6.6	+\$1.63	9.1	+.43	30.8	+.50	16.7	+.37
\$1.40-\$1.49	.....	3.3	+\$1.00	4.0	+.28	30.8	+.22	1.7	-.07
\$1.50-\$1.59	.....	1.6	-.06	22.7	+.09	.....	.....	.....	.....
\$1.60-\$1.69	.....	.....	.....	9.1	-.30	.....	.....	8.3	-.32
\$1.70-\$1.79	.....	.....	.....	18.2	-.14	.....	.....	.....	.....
\$1.80-\$1.89	.....	.....	.....	4.5	-.38	7.7	-.89	.....	.....
\$1.90-\$1.99	.....	.....	.....	.....	.....	7.7	+.30	.....	.....
\$2.00-\$2.09	.....	.....	.....	.....	.....	.....	.....	.....	.....
\$2.10-\$2.19	.....	.....	.....	13.6	-.47	.....	.....	.....	.....
\$2.20-\$2.29	.....	.....	.....	.....	.....	.....	.....	.....	.....
\$2.30-\$2.39	.....	.....	.....	.....	.....	.....	.....	.....	.....
\$2.40-\$2.49	.....	.....	.....	4.5	-.12	.....	.....	.....	.....
\$2.50-\$2.59	.....	.....	.....	.....	.....	.....	.....	.....	.....

¹ Adjusted to include Federal excise and rectification taxes at rates in effect on November 2, 1942.

² (+) Indicates excess of prescribed uniform maximum price over first quarter 1942 price. (-) Indicates excess of first quarter 1942 price over prescribed uniform maximum price.

TABLE B.—Brands of five largest distillers, the adjusted March 1942 prices¹ of which are within \$1.00 of the prescribed uniform maximum price

		[Per case of quarts]				
		Age	Proof	Percent neutral spirits	Adjusted March 1942 price	Prescribed uniform maximum price
Bottled-in-bond whiskey:						
Company A—Brand 1	.....	48	100.0	.....	\$27.58	\$28.37
Company A—Brand 2	.....	48	100.0	.....	27.91	28.37
Company B—Brand 1	.....	48	100.0	.....	27.60	28.37
Company C—Brand 1	.....	72	100.0	.....	29.95	29.60
Company D—Brand 1	.....	48	100.0	.....	29.00	28.37
Company D—Brand 2	.....	88	100.0	.....	28.35	28.37
Company D—Brand 3	.....	48	100.0	.....	28.10	28.37
Company D—Brand 4	.....	48	100.0	.....	27.75	28.37
Company E—Brand 1	.....	48	100.0	.....	28.78	28.37
Straight whiskey:						
Company A—Brand 8	.....	60	85.0	.....	23.96	24.60
Company A—Brand 9	.....	60	90.0	.....	20.78	21.71
Company A—Brand 10	.....	48	90.0	.....	25.55	25.68
Company D—Brand 5	.....	48	85.0	.....	27.33	26.49
Company D—Brand 6	.....	46	90.0	.....	24.99	24.82
Blends of straight whiskey:						
Company A—Brand 6	.....	60	85.0	.....	26.11	26.36
Company A—Brand 7	.....	60	90.0	.....	25.15	25.68
Company A—Brand 8	.....	60	90.0	.....	26.35	26.71
Company A—Brand 9	.....	60	90.0	.....	26.48	26.71
Company A—Brand 10	.....	72	90.0	.....	26.65	27.69
Company E—Brand 2	.....	48	90.0	.....	25.43	25.68

¹ March 1942 prices as reported on Form 635-232-A adjusted to include Federal taxes at rates in effect Nov. 2, 1942.

TABLE B.—Brands of five largest distillers, the adjusted March 1942 prices of which are within \$1.00 of the prescribed uniform maximum price—Continued

[Per case of quarts]					
	Age	Proof	Percent neutral spirits	Adjusted March 1942 price	Prescribed uniform maximum price
Spirit blended whiskey:					
Company A—Brand 11.....	60	86.0	62.0	\$26.11	\$25.27
Company A—Brand 12.....	52	86.0	72.5	26.23	24.39
Company A—Brand 13.....	50	86.8	70.0	25.26	24.68
Company A—Brand 14.....	55	86.8	72.5	25.58	24.84
Company B—Brand 2.....	64	86.8	72.5	25.27	24.84
Company B—Brand 3.....	53	86.8	72.5	25.27	24.80
Company B—Brand 4.....	59	86.8	69.0	25.27	25.31
Company B—Brand 5.....	68	86.8	72.5	25.27	24.84
Company B—Brand 6.....	49	86.8	72.5	25.16	24.72
Company C—Brand 2.....	48	86.0	70.0	23.81	24.46
Company D—Brand 7.....	60	86.8	72.5	25.16	24.72
Company D—Brand 8.....	40-48	86.8	49.0	26.06	25.24
Company D—Brand 9.....	40-48	86.8	49.0	26.06	25.24

TABLE C.—Comparison of prescribed uniform maximum prices with prices of brands introduced since March 31, 1942,¹ as reported on OPA Form 635-232-C: Straight whiskey (including bottled-in-bond whiskey)

[Per case of quarts]					
Age (in months)	Number of brands	Proof	Reported price	Prescribed uniform maximum price	Difference
9	1	100.0	\$27.97	\$26.26	-\$2.71
12	4	86.0	23.51	21.54	-1.97
18	2	86.0	22.68	22.04	-0.64
24	1	80.0	20.19	21.22	+1.03
24	4	85.0	25.12	22.29	-2.83
24	7	85.0	27.67	22.54	-5.13
24	4	90.0	34.33	28.52	-5.81
36	2	85.0	31.00	28.32	-2.68
36	3	86.0	27.48	23.57	-3.91
36	1	86.0	35.30	24.60	-10.70
42	2	86.0	29.99	24.98	-5.01
48	1	86.0	23.92	22.99	-0.93
48	2	86.0	25.19	24.69	-0.50
48	6	90.0	26.77	25.68	-1.09
48	6	100.0	27.16	27.76	+0.60
54	1	90.0	37.50	28.22	-9.28
54	2	100.0	41.00	28.97	-12.03
60	3	86.0	29.12	28.59	-0.53
60	2	100.0	27.73	28.75	+1.02
66	1	85.0	23.34	28.75	+5.41
72	39	80.0	20.65	24.78	+4.13
72	4	85.0	21.86	26.53	+4.67
72	1	90.0	23.84	27.69	+3.85
72	2	100.0	35.60	30.60	-5.00
72	3	100.0	37.58	30.60	-6.98
78	1	85.0	26.69	26.73	+0.04
78	2	100.0	42.75	31.19	-11.56
84	1	80.0	26.24	26.70	+0.46
84	3	90.0	33.75	28.79	-4.96
84	1	100.0	24.69	31.82	+7.13
89	1	100.0	44.76	32.39	-12.37

¹ Adjusted to include Federal excise taxes at rates in effect on Nov. 2, 1942.TABLE D.—Comparison of prescribed uniform maximum prices with prices of brands introduced since March 31, 1942,¹ as reported on O. P. A. Form 635-232-C: Blends of straight whiskey

[Per case of fifths]					
Age (in months)	Number of brands	Proof	Reported price	Prescribed uniform maximum price	Difference
33	2	80.0	\$23.45	\$18.62	-\$4.83
42	1	86.0	23.13	20.18	-2.95
42	2	90.0	23.68	20.84	-2.84
54	1	85.0	18.70	20.79	+2.09
60	1	86.0	23.73	21.39	-2.34
66	2	90.0	26.67	21.42	-5.25
66	1	86.0	20.73	21.51	+0.78
72	1	86.0	20.70	22.45	+1.75
72	1	90.0	27.76	22.45	-5.31
84	1	81.8	27.01	23.18	-3.83
84	2	81.8	28.92	23.18	-5.74

¹ Adjusted to include Federal excise and rectification taxes at rates in effect on Nov. 2, 1942.TABLE E.—Comparison of prescribed uniform maximum prices with prices of brands introduced since March 31, 1942,¹ as reported on O. P. A. Form 635-232-C: spirit blended whiskey

[Per case of fifths]						
Age (in months)	Number of brands	Proof	Percent neutral spirits	Reported price	Prescribed uniform maximum price	Difference
18	1	86.0	80	\$22.63	\$19.12	-\$3.51
24	1	86.0	75	28.75	20.13	-8.62
42	1	86.0	65	24.42	19.88	-4.54
48	1	86.8	50	22.17	20.70	-1.47
48	1	86.0	60	21.69	20.21	-1.48
48	2	86.0	65	24.73	20.70	-4.03
48	1	86.8	65	20.37	20.21	-0.16
54	1	86.8	55	19.65	21.37	+1.72
54	1	86.8	68	23.82	21.29	-2.59
60	3	80.6	60	18.34	19.91	+1.57
60	3	86.0	60	19.46	21.20	+1.74
60	1	86.8	65	23.87	23.49	-0.38
66	1	86.8	55	23.72	19.68	-4.04
66	1	86.0	60	23.57	20.37	-3.20
66	1	86.8	60	23.22	20.85	-2.37
72	1	86.0	60	21.37	19.83	-1.54
72	1	86.0	70	21.69	20.34	-1.35
72	1	86.0	45	20.49	22.07	+1.58
77	1	86.8	65	20.43	20.91	+0.48
84	1	86.8	65	26.97	21.91	-5.06
84	1	86.8	65	26.83	21.81	-5.02

¹ Adjusted to include Federal excise and rectification taxes at rates in effect on Nov. 2, 1942.

Section 6.3 (a) (4) has been incorporated in this Amendment providing that no brokerage fee or finder's fee may be charged or paid in connection with the purchase or sale of any packaged domestic distilled spirits. Prior to price control, it was not the practice in the industry to make use of brokers in the purchase of packaged domestic distilled spirits. Appearance of brokers in this respect is the result of price control and shortage combined. The OPA has previously ruled that payment of commissions on such purchases violates applicable price regulations and the accompanying amendment incorporates the ruling into the regulation itself.

(f) *Adjustment of maximum prices for substitution of certain ingredients.*—The procedures provided in Appendix G of the accompanying amendment are applicable to all classifications and subclassifications of packaged domestic distilled spirits. Any price established under Appendices A through F, inclusive, may be adjusted

for the substitutions made in accordance with the provisions of Appendix G. Those substitutions and compensating price adjustments have been discussed specifically with prior amendments issued to Maximum Price Regulation No. 193 and Maximum Price Regulation No. 445, and it is unnecessary to repeat in this document the justification expressed in the statements of considerations accompanying those amendments.

(g) *Special maximum prices by authorization.*—In any case where a processor unable to determine a maximum price under the other provisions of the regulation, he is required to apply to the Office of Price Administration, Beverage Section, Washington, D. C., for authorization of a maximum price for the particular item. The procedures in Appendix F are almost identical with procedures applicable to importers of distilled spirits and wines and to processors of California grape wines, and it is deemed unnecessary to discuss the method further at this time.

III. MISCELLANEOUS PROVISIONS

(a) REPORTS REQUIRED

In any instance where a processor establishes a maximum price under Appendices B, C, D, or E, or where the processor makes an adjustment of a maximum price in accordance with Appendix G, he is required to report the maximum price so computed or adjusted, and to set forth in detail the computations made in accordance with the provisions of the applicable appendix. No forms are provided by the Office of Price Administration for such reports. The reports must be made by letter and the information required to be reported is described in the last paragraph of each of these Appendices. In each case the report must be filed before making a sale at a maximum price established under the applicable appendix. All reporting requirements of the accompanying amendment have been approved by the Bureau of The Budget in accordance with the Federal Reports Act of 1942.

CONCLUSION

It is the judgment of the Price Administrator that the maximum prices and pricing procedures established by the accompanying amendment are and will be generally fair and equitable, and meet the requirements and will effectuate the purposes of the Emergency Price Control Act of 1942, as amended and Executive Orders Nos. 9250 and 9328. It is the further judgment of the Price Administrator that the maximum prices thus established will promote orderly production and distribution of packaged domestic distilled spirits.

Issued this 27th day of December, 1943.

CHESTER BOWLES, Administrator.

MPR 445
Amtd. 9
Dec. 27, 1943

OFFICE OF WAR INFORMATION

OFFICE OF PRICE ADMINISTRATION

Advance Release:
For Afternoon Papers,
Monday, December 27, 1943.

OPA-3679

AMDT. 9 TO MPR 445—DISTILLED SPIRITS AND WINES

PRESS RELEASE

Processors' maximum prices on all domestic distilled spirits were established today by the Office of Price Administration in a move which, coupled with its establishment last summer of fixed percentage mark-ups for wholesalers and retailers, should mean sharp rollbacks in the retail prices of some brands of domestic whiskey.

The immediate effect of today's action will be the establishment at the processor level of flat prices for all new brands of domestic whiskey that have been introduced since March, 1942.

Tables showing dollars-and-cents prices per case, f. o. b. processor's plant, for all "bottled in bond," straight whiskey and "blends of straight whiskeys" at

the various ages, computed at 80 proof, are included in today's amendment to the regulation controlling processors' prices of domestic distilled spirits. There is a proof adjustment factor by which the processor can determine quickly and easily his maximum price for any degree of proof.

Similar tables of flat dollars-and-cents prices are provided for blended whiskeys, showing prices for blends containing from 32½ to 80 per cent of neutral spirits and for spirit whiskeys containing more than 80 per cent of neutral spirits.

Typical of these flat prices for new brands of whiskey, with a translation into retail selling prices, are:

	Processors' maximum price per case of fifty	Average retail price per fifth-gallon bottle
100 proof "bottled in bond," 4 years old.....	\$72.99	\$3.30
85 proof straight whiskey, 2 years old.....	18.14	2.55
80 proof blend of straight whiskeys, average age of 3¼ years.....	20.40	2.95
85 proof blended whiskey (27½ per cent neutral spirits; average percent whiskey, 72½ per cent of whiskey 3 years).....	10.29	2.80

These prices include all Federal excise taxes, and the average retail prices also include an average State excise tax figure. Because of the difference in State excise taxes, it is impossible to give examples showing the actual retail selling price throughout the country.

Processors' maximum prices hitherto existing on new brands of all types of domestic whiskey were determined under the "most closely competitive item" formula established by OPA when prices first were "frozen" at their March, 1942, "highs". These new brands were brought out, and changes were affected in container sizes and formulas, in many cases for the purpose of "avoiding or even evading" proper pricing.

It is for this reason that the new flat pricing, plus the already established wholesale and retail mark-ups, should effect reductions in the retail ceiling prices of many brands. (The retailer's percentage mark-up for distilled spirits is 33½ percent over net cost; the wholesaler's, 15 percent over net cost.)

Brands of domestic whiskey that were on the market in March, 1942, and have not changed their proof or formula or container size are unchanged in their maximum prices at the processors' levels. There was some reduction in the retail prices of these brands in many parts of the country last summer when the fixed percentage mark-ups went into effect. The prices established today for the new brands are in line with those for comparable old brands.

Where the processor had a brand on the market in March, 1942, and subsequently has changed his proof, formula or container size, he is given tables in today's amendment by which he must figure a "converted price". This method also can be used on certain kinds of domestic distilled spirits other than whiskey, where there have been changes in proof or bottle size.

Today's amendment provides that, as to all other classifications of domestic distilled spirits, such as brandy, rum, gin, cordials, liqueurs and alcoholic beverage specialties, the processor must apply to OPA for maximum price on any new brands introduced since March, 1942.

OPA hopes to issue in the reasonably near future flat dollars-and-cents maximum prices for these products similar to those announced today for domestic whiskey.

The recently formed OPA Industry Advisory Committees from the distilling and rectifying industries are expected to be called into meeting next month, and a definite program for establishment of the new prices probably will be developed at the meeting. There was the fullest industry consultation on the action taken today, a first draft of the amendment having been shown to industry men in a meeting held in Washington on June 18, 1943.

The maximum prices established in today's amendment include increases in Federal excise taxes that became effective November 1, 1942. Provision has already been made for processors to add to their maximum prices when it becomes effective, the proposed additional increase in excise taxes now before the Congress.

(Amendment No. 9 to Maximum Price Regulation No. 445—Distilled Spirits and Wines—effective January 6, 1944.)

REGULATION

(Document No. 25719)

PART 1420—BREWERY, DISTILLERY AND WINERY PRODUCTS

[MFR 445, Amdt. 9]

DISTILLED SPIRITS AND WINES

A statement of the considerations involved in the issuance of this amendment has been issued simultaneously herewith and filed with the Division of the Federal Register.*

Maximum Price Regulation No. 445 is amended as follows:

1. Section 3.1 is amended to read as set forth below, sections 3.2 through 3.7 inclusive and Appendices A through G are added to read as follows:

ARTICLE III—MAXIMUM PRICES FOR SALES OF PACKAGED DOMESTIC DISTILLED SPIRITS BY PROCESSORS

SEC. 3.1 *Purposes of Article III*—(a) Generally. (1) Article III establishes maximum prices for sales of packaged domestic distilled spirits by processors to any purchaser.

(2) Maximum prices for sales of bulk domestic distilled spirits must be established under Article II of this regulation or under Maximum Price Regulation No. 193,² whichever is applicable to the particular sale. Maximum prices for sales of bulk or packaged imported distilled spirits must be established under Articles I, II or V of this regulation or under the General Maximum Price Regulation,³ whichever is applicable to the particular sale.

(3) Maximum prices for sales of packaged domestic distilled spirits by persons other than the processor must be established under Article V of this regulation, or under Maximum Price Regulation No. 193, whichever is applicable to the particular sale.

NOTE: Article III is applicable to processors' sales of all classifications and subclassifications of packaged domestic distilled spirits, including (but not limited to) those classifications and subclassifications containing as an ingredient imported neutral spirits, imported distilled spirits, or neutral spirits derived from domestic processing of imported distilled spirits.

SEC. 3.2 *Processors' maximum prices*. The maximum prices provided in this article for processors' sales of packaged domestic distilled spirits are as follows:

(a) *Items sold or offered for sale by the processor during March 1942*. The processor's maximum price for sales of an item of packaged domestic distilled spirits which he sold or offered for sale during March 1942 shall be one of the following maximum prices:

(1) For all classifications of domestic distilled spirits, the *March 1942 maximum price* determined as provided in Appendix A; or

(2) For domestic whiskey only, the processor may elect to establish a *prescribed uniform maximum price* determined as provided in Appendix E; or

(3) For all classifications of domestic distilled spirits (except where a maximum price can be established under Appendix A or where the processor elects to establish a *prescribed uniform maximum price* under Appendix E) the *special maximum price by authorization* determined as provided in Appendix F.

(b) *Items of a brand name sold or offered for sale by the processor during March 1942, but of a different formula or container size*. The processor's maximum price for sales of an item of packaged domestic distilled spirits where the brand name is the same as that for the item which he sold or offered for sale during March 1942, but the formula or container size is different, shall be one of the following maximum prices:

(1) For all classifications of domestic distilled spirits, where there is a change in container size, the *converted March 1942 maximum price* determined as provided in Appendix B. Where the particular change in container size is not covered in that appendix, the *special maximum price by authorization* determined as provided in Appendix F.

(2) For domestic whiskey, domestic gin, domestic brandy and domestic rum, where there is a change in proof, the *converted March 1942 maximum price* determined as provided in Appendix C. For all other classifications of domestic

*Copies may be obtained from the Office of Price Administration.

¹ 16 F.R. 11181, 11851, 11896, 12550, 12845, 13016, 14400, 15012.

² 17 F.R. 6066, 5940, 5957, 5958, 11905; 18 F.R. 1652, 2716, 7402, 14523, 14581.

³ 18 F.R. 3026, 3840, 4347, 4436, 4728, 4978, 1848, 1848, 6067, 6202, 8511, 10409, 11105, 11505, 11552, 11553, 11554.

distilled spirits, where there is a change in proof, the *special maximum price by authorization* determined as provided in Appendix F.

(3) For domestic whiskey only, where there is a change in formula (other than proof), the *converted March 1942 maximum price* determined as provided in Appendix D. For all other classifications of domestic distilled spirits, where there is a change in formula (other than proof), the *special maximum price by authorization* determined as provided in Appendix F.

(4) For domestic whiskey only, the processor may elect to establish a *prescribed uniform maximum price* determined as provided in Appendix E.

(5) For all classifications of domestic distilled spirits (except where a maximum price can be established under Appendices B through D inclusive or where the processor elects to establish a *prescribed uniform maximum price* under Appendix E), the *special maximum price by authorization* determined as provided in Appendix F.

NOTE: Where the change in formula (other than proof) involves only a substitution of the ingredient distilled spirits which must be in paragraph (d) below, such item must be priced in accordance with Appendix G where applicable. A *special maximum price by authorization* may not be established when a maximum price provided in the other appendices can be adjusted in accordance with the provisions of Appendix G.

(c) *Items of a brand name not sold or offered for sale by the processor during March 1942*. The processor's maximum price for sales of an item of packaged domestic distilled spirits of a brand name not sold or offered for sale by the processor during March 1942 shall be one of the following maximum prices:

(1) For domestic whiskey only, the *prescribed uniform maximum price* determined as provided in Appendix E.

(2) For all classifications of domestic distilled spirits (except for sales of domestic whiskey for which a maximum price can be established under Appendix E), the *special maximum price by authorization* determined as provided in Appendix F.

(d) *Items in which substitution is made of certain ingredients*. For sales of any item of packaged domestic distilled spirits in which imported neutral spirits, neutral spirits derived from domestic processing of imported distilled spirits, imported distilled spirits, high wines or spirits-fruit are substituted in the item, the processor's maximum price shall be a maximum price established under paragraphs (a), (b), or (c), as though no substitution had been made, adjusted for the applicable substitution as provided in Appendix G.

SEC. 3.3 *General rules*. Processors must observe the following rules in establishing their maximum prices under this article.

(a) *Pricing methods provided in this article*. (1) Article III provides several pricing methods for processors' sales of items of packaged domestic distilled spirits. Those pricing methods are set forth in detail in Appendices A through G, and specific rules are provided therein for each pricing method. One of those methods requires processors of items of domestic whiskey of a brand name not sold or offered for sale by the processor during March 1942 to establish a *prescribed uniform maximum price* for the item. That method, set forth in Appendix E, applies only to items of domestic whiskey. From time to time appendices will be added in which *prescribed uniform maximum prices* will likewise be provided for items of other classifications of domestic distilled spirits such as brandy, rum, gin, cordials and liqueurs. Until such time as *prescribed uniform maximum prices* for each of those classifications are added to this article, processors of items of those classifications of a brand name not sold or offered for sale during March 1942 must establish *special maximum prices by authorization* in accordance with the provisions of Appendix F.

(2) Processors of items of a brand name, container size and formula (including proof) which they sold or offered for sale during March 1942, regardless of the classification thereof, are required to establish *March 1942 maximum prices* under Appendix A for sales to customers of a particular class to which the item was sold or offered for sale by the processor during March 1942. Where the sale is to a customer of a different class, the processor must establish a *special maximum price by authorization* under Appendix F. However, for items of domestic whiskey the processor may elect to establish a *prescribed uniform maximum price* under Appendix E. Where the processor elects to establish a *prescribed uniform maximum price* for any item of domestic whiskey he must, after making a sale at such price, establish *prescribed uniform maximum prices* for all sales thereafter to any purchaser of any item of domestic whiskey bearing the same brand name.

(3) Where the container size of an item is different from that for the item sold or offered for sale by the processor during March 1942, the processor, except

where he elects to establish a *prescribed uniform maximum price* for the item, must establish a *converted March 1942 maximum price* under the method in Appendix B. That method is applicable to all classifications of domestic distilled spirits subject only to the qualification that the change must be from and to the sizes covered in the appendix. For other sizes, the processor must establish a *special maximum price by authorization* under Appendix F.

(4) Where the proof of an item of domestic whiskey, domestic brandy, domestic gin or domestic rum is different from that of the item sold or offered for sale by the processor during March 1942, the processor, except where he elects to establish a *prescribed uniform maximum price* for the item, must establish a *converted March 1942 maximum price* under the method provided in Appendix C. For all other classifications of domestic distilled spirits where the proof is different from that for the item sold or offered for sale by the processor during March 1942, the processor must establish a *special maximum price by authorization* under Appendix F.

(5) Where the formula (other than proof) of an item of domestic whiskey is different from that for the item sold or offered for sale by the processor during March 1942, the processor, except where he elects to establish a *prescribed uniform maximum price* for the item, must establish a *converted March 1942 maximum price* under the method provided in Appendix D. For all other classifications of domestic distilled spirits, where the formula (other than proof) is different from that for the item sold or offered for sale by the processor during March 1942, the processor must establish a *special maximum price by authorization* under Appendix F.

(6) In any instance where two or more changes are involved the conversion must be made first, for the change in container size; second, for the change in proof; and third, for the change in formula other than proof.

(7) Where there is a substitution of certain ingredient distilled spirits an adjustment of the maximum prices established under other provisions of this article is provided in Appendix G.

(8) Notwithstanding the foregoing provisions of this article, *converted March 1942 maximum prices* as provided in Appendix D, and *prescribed uniform maximum prices* as provided in Appendix E cannot be established for items of domestic whiskey containing malt whiskey. For items of domestic whiskey containing malt whiskey, where the formula (other than proof) or brand name is different from that for the item sold or offered for sale by the processor during March 1942, the processor must establish a *special maximum price by authorization* under Appendix F.

(9) *Figuring maximum prices for each item separately.* Each item of packaged domestic distilled spirits must have a separate maximum price determined in accordance with the applicable pricing appendix. One item must not be considered the same as another if there is any difference in

- (1) Their brand names,
 - (2) Their container sizes,
 - (3) Their formulas (as defined in section 7.12), or
 - (4) Requirements of United States labeling laws or regulations applicable to each, with respect to material information contained on their labels. Age, proof, type designation, and ingredients, as stated on the labels, shall be deemed material information. "Bottled in bond" domestic whiskey shall be deemed to be four years of age where no age statement appears on the label.
- "Item" means a particular brand name, formula and container size of packaged domestic distilled spirits of a particular classification or subclassification of identity.

"Classification" or "subclassification" of domestic distilled spirits, as used in this article, means the applicable classification or subclassification of identity contained in Articles II and III of Regulations No. 5 relating to labeling and Advertising of Distilled Spirits, as amended, issued under the provisions of the Federal Alcohol Administration Act, as amended.

Any difference whatsoever between brand names shall be deemed to require separate pricing. For example, a change of name from "Royal King" to "Royal King Reserve" or to "Royal King Three Star" or to "Royal" is a change of brand name. However, a change of brand name made to comply with any judicial decree, or to terminate legal proceedings to compel such change, shall not require the item to be re-priced if the processor before changing the brand name, or having under such circumstances changed the brand name on or before January 6, 1944, notifies the Office of Price Administration, Beverage Section, Washington, D. C., in writing of the facts which require or did require the change; and if

the processor receives written permission from a duly authorized officer of the Office of Price Administration to establish maximum prices for items bearing such brand name under the methods provided in this Article for items of a brand name sold or offered for sale by the processor during March 1942.

(c) *Customer classifications.* (1) A separate maximum price must be established for the processor's sales of each item to each class of customers he sells in accordance with the method under which the maximum price for the item is established.

(i) Where a processor establishes a *March 1942 maximum price* under Appendix A, his customers for sales of the item must be classified in accordance with his March 1942 customer classifications. If the processor desires to sell the item so priced to a customer of a class to which he did not sell or offer to sell it during March 1942, he must establish a *special maximum price by authorization* under Appendix F.

(ii) Where a processor establishes a *converted March 1942 maximum price* under the Appendices B, C or D, his customers for sales of the item must be classified in accordance with his March 1942 customer classifications for sales of the item used as the base for the conversion. If the processor desires to sell the item so priced to customers of a class to which he did not sell or offer to sell the base item during March 1942, he must establish a *special maximum price by authorization* under Appendix F.

(iii) Where a processor establishes a *prescribed uniform maximum price* under Appendix E, his customers for sales of the item are to be classified only as wholesalers, monopoly states, primary distributing agents, retailers and consumers.

(iv) Where a processor establishes a *special maximum price by authorization* under Appendix F, the maximum price thus established shall apply only to the class of customers stated in the application or in the order, or amendment to this regulation issued pursuant thereto.

(v) Under subdivisions (i) and (ii) no purchaser shall be deemed to be in the same class as another if during March 1942, with respect to the processor's sales of items of packaged domestic distilled spirits to such persons, any difference existed in the rates of applicable taxes paid by the processor, or any difference existed in applicable transportation charges paid by the processor if the selling price was a delivered price. In no event shall a purchaser be deemed to be in the same class as another if there is any difference between such purchasers in accordance with the processor's March 1942 customer classifications or in the identity of such persons as described in the definitions in section 7.12.

(d) *Discounts, allowances, price differentials and terms of sale.* (1) Customary discounts, allowances and other price differentials (except "special deals" to which § 1494 (b) of the General Maximum Price Regulation applied) in effect during March 1942 in accordance with the processor's March 1942 customer classifications must be applied to his maximum prices established under this article: *Provided*, That discounts and allowances based solely on quantity purchases (in dollars or units) need not be maintained. And, *provided further*, That allowances and price differentials in accordance with the processor's March 1942 customer classifications need not be maintained with respect to sales of items for which *prescribed uniform maximum prices* are established.

Note: Nothing in the above paragraph shall be construed to prevent any sale at an amount lower than any maximum price established by this regulation. A processor need not maintain any customary discount, allowance or price differential if he reduces his maximum price by an amount which compensates all his customers of the particular class for the elimination of the discount, allowance or price differential.

(2) If a processor makes his terms of sale to a customer more onerous than those in effect during March 1942 for his sales to a customer of the same class, he must make a compensating reduction in his maximum price established under this Article.

(3) If a processor directly or indirectly requires a customer to make payment in advance of delivery (whether to the processor or to another person), the processor must reduce his maximum prices established under this article for that sale by an amount equal to interest at the rate of 5 percent per annum on the amount of the advance payment from the date the payment is made to the date on which the item is delivered or the payment is refunded to the customer.

(f) *F. O. B. and delivered prices.* (1) Where a seller establishes a *March 1942 maximum price* or a *converted March 1942 maximum price* for an item, and the highest price at which he sold or offered to sell during March 1942 (used to determine such maximum price) was a delivered price, or an f. o. b. particular freight base point price, the maximum price thus established shall correspondingly be a delivered price or an f. o. b. particular freight base point price, as the case may be. A separate maximum price must be established for the item for each freight

basing point from which shipment was made during March 1942 if the processor continues to make shipment from such freight basing point. In any instance where shipment is to be made from a freight basing point from which no shipment was made during March 1942, a special maximum price by authorization must be established under Appendix F.

(2) *Prescribed uniform maximum prices* are prices f. o. b. bottling plant, except as otherwise expressly provided.

(3) If a processor's maximum price is a price f. o. b. bottling plant, or f. o. b. a particular freight base point, and he desires to convert it to a delivered price for delivery to a point outside the metropolitan area of that place, he may add to his maximum price transportation charges from that place to the point of delivery at the same rate payable for the same transportation service in March 1942.

Note: For a definition of "transportation charges" and the method of computing them when the seller uses his own vehicle, see section 7.12 (4) (i) of Article VII.

(4) Any processor who during March 1942 maintained a practice of selling in specific territories on an average freight charge included in his selling price may continue such practice with respect to any maximum price established under this regulation, if he uses the same rates (no addition may be made for federal freight taxes) as he used in March 1942, and if he follows a uniform practice with respect to this method.

(5) *Sales and offers to sell.* Where the price for a sale or for an offer to sell during March 1942 is to be used in determining a maximum price under this article, the price for a sale completed by delivery during that month must be used if such sale was made. An offering price may be used only if no such sale was made during March 1942, if it was an offering price for supply or delivery during that month, and if the offer or an acceptance thereof is supported by written evidence.

Where the price for a sale or for an offer to sell during March 1942 is to be used by the processor in determining a maximum price under this article, the price so used must be the price for an item with respect to which he was the processor during March 1942.

(6) *Prior regulations, orders and interpretations superseded.* Except as otherwise provided in this regulation and in Supplementary Order No. 40,¹ Article III supercedes all other maximum price regulations, orders and interpretations issued by the Office of Price Administration before January 6, 1944, with respect to sales of packaged domestic distilled spirits by processors, including the applicable provisions of the following:

(1) Maximum Price Regulation No. 193.

(2) Orders Nos. 1 through 5 inclusive under Maximum Price Regulation No. 193.

Provided, that such maximum price regulations, orders and interpretations shall remain in force with respect to a particular sale of packaged domestic distilled spirits until provisions of this article become applicable thereto pursuant to section 3.7.

(i) *Price posting.* The processor shall post his maximum price for each item of packaged domestic distilled spirits to be sold offered for sale to consumers by using the procedure provided in section 4.10 of Article IV for sales to consumers by processors of wines.

(j) *Affixing tax stamps.* No addition to a processor's maximum price established by using the procedure provided in section 4.10 of Article IV for sales to consumers by processors of wines.

(k) *Maximum prices for individual containers.* The processor's maximum price for individual containers of an item to any class of customers shall be an amount determined by dividing his maximum price per case to a customer of the same class by the number of individual containers customarily packed in the case (see Appendix B for definition of case of quarts, fifths, tenths, pints and half-pints).

Sec. 3.4 *Inability to fix maximum prices.* In any case where the processor is unable to establish a maximum price for a particular sale of an item of packaged domestic distilled spirits under other pricing provisions of this article, he shall establish a special maximum price by authorization in accordance with the provisions of Appendix F.

¹ 8 F.R. 4335.

Sec. 3.5 *Applicable taxes.* In each instance taxes must be added to or included in a maximum price only in accordance with the specific conditions provided in each appendix of this article, and in accordance with the provisions of sections 7.2 and 7.3 of Article VII.

(1) Where pursuant to any of the provisions of this article an amount is required to be added for certain applicable taxes, the rates of such taxes must be applied only to the actual quantity packaged and sold. Taxes paid with respect to any quantity of distilled spirits lost in processing or otherwise cannot be added.

(2) For processors' sales of any item to a monopoly state, the amount of any tax which became effective after March 31, 1942, and which may be included in or added to the maximum price under the provisions of this article, shall be separately stated on the invoice issued in connection with each sale, or on a statement made in connection with any offer to sell.

(3) License, income, franchise, receipts, sales, use, or other similar federal, state or local taxes cannot be included in or added to a maximum price established under this article, except that in certain cases a sales tax may be charged in addition to a maximum price under the conditions provided in sections 7.2 of Article VII.

Sec. 3.6 *Other provisions of this regulation applicable to sales for which maximum prices are established under this article.* The following sections of Article VII of this regulation shall apply to sales for which maximum prices are established under this article:

SECTION 7.1 *Treatment of fractional parts of a cent in figuring maximum prices.*

SEC. 7.1a *Change in case size.*

SEC. 7.2 *When a sales tax may be charged in addition to a maximum price.*

SEC. 7.3 *When new taxes, or increases in existing taxes may be added to a maximum price.*

SEC. 7.4 *Use of minimum resale prices under State Fair Trade Laws.*

SEC. 7.5 *Adjustment of maximum prices for tax exempt sales to the United States or any agency thereof.*

SEC. 7.6 *Certain provisions of the General Maximum Price Regulation continued in effect.*

SEC. 7.7 *Export sales.*

SEC. 7.8 *Compliance with this regulation.*

SEC. 7.9 *Current records required.*

SEC. 7.10 *Penalties for noncompliance.*

SEC. 7.11 *Adjustable pricing in certain instances.*

SEC. 7.12 *Definitions.*

SEC. 7.13 *Geographical applicability.*

Sec. 3.7 *Dates on which this article shall apply.* This article shall apply to all sales or offers to sell of items of packaged domestic distilled spirits by a processor on and after January 6, 1944. *Provided,* that with respect to sales of any item for which the processor is required or permitted to establish a special maximum price by authorization under Appendix F, if the processor files an application in accordance with Appendix F on or before January 21, 1944, the maximum price established for the item in accordance with Maximum Price Regulation No. 193 or other appropriate regulations or orders shall remain in force and effect until a special maximum price by authorization is established pursuant to Appendix F, or until March 21, 1944, whichever is earlier. *And provided further,* that this article shall apply to any sale which the processor is required by statute, ordinance or regulation to make at a price posted or listed prior to the appropriate date referred to above, with a state or other public authority (if the price so posted or listed is greater or less than that established by this article for such sale) until on and after the first effective date for prices so posted or listed at the first opportunity following the fourth day after that date.

Note: In the following appendices the examples are offered for purposes of illustration only. The examples are not to be regarded as a substantive part of this regulation. They neither enlarge nor restrict the definitive provisions.

APPENDICES: PRICING PROCEDURES AND PRICE SCHEDULES

APPENDIX A

March 1942 maximum prices

(a) *Rules for establishing maximum prices under Appendix A.*

(1) A March 1942 maximum price is applicable

when the brand name, formula (including proof) and container size of the item are exactly the same as those for the item sold or offered for sale by the processor during March 1942.

EXAMPLES

During March 1942, the processor sold "B" brand whiskey, 47% alc. 86° proof, in quarts. In June 1942 he changed the proof to 80°, but the brand name, size and container size remain the same. The March 1942 maximum price is not applicable to the item at 80° proof.

March 1942 maximum prices—Continued

(a) Rules for establishing maximum prices under Appendix A.

(1) A March 1942 maximum price is applicable only to sales to customers of the same class as that to which the item was sold or offered for sale by the processor during March 1942. For sales of the item to customers of another class, a special maximum price by authorization must be established under Appendix F.

(2) A March 1942 maximum price is inapplicable to sales of any item of domestic whiskey bearing the same brand name as an item for which the processor has established a prescribed uniform maximum price under Appendix E.

(b) Procedure for establishing March 1942 maximum prices. The processor's March 1942 maximum price per case for sales of an item to customers of a particular class is the highest price per case at which the processor sold or offered to sell the same item during March 1942 to a customer of the same class, in accordance with the processor's March 1942 customer classifications, plus the applicable amount of any new or increased federal, state or local excise tax which became effective after March 31, 1942 and before November 2, 1942. Provided, That the amount of such tax imposed is actually paid or has accrued and become payable by the processor to the proper taxing authority or to any prior vendor.

Note: For addition of applicable excise taxes which became effective after November 2, 1942, see Section 7.3 of Article VII.

See Section 3.3 (c) for rules respecting customer classifications. The March 1942 maximum price does not include any adjustments permitted in such cases as must be made under Appendix G.

APPENDIX B

Converted March 1942 maximum prices for changes in container sizes

(a) Rules for establishing maximum prices under Appendix B.

(1) A converted March 1942 maximum price provided in this Appendix cannot be established for an item in the same container size as that in which it was sold or offered for sale by the processor during March 1942.

(2) The conversion provided in this Appendix must be made from the processor's March 1942 maximum price for the largest container size of the item sold or offered for sale by the processor during March 1942 for which a conversion method is provided in this Appendix.

(3) The converted March 1942 maximum price is applicable only to sales to customers of the same class as that to which the base item was sold or offered for sale by the processor during March 1942.

(4) The converted March 1942 maximum price is applicable only where the container size sold or offered for sale by the processor during March 1942 and the container size to be priced are sizes covered in this Appendix. For conversions involving other sizes, a special maximum price by authorization must be established under Appendix F.

EXAMPLES

During March 1942 the processor sold "XYZ" brand of domestic brandy to wholesalers and retailers in open states. The March 1942 maximum price for sales to wholesalers is inapplicable to sales of the same item to monopoly states. Likewise the March 1942 maximum price for sales to retailers in one state is inapplicable to sales to retailers in other states because of the difference in applicable taxes. Likewise, that price, if a delivered price, is inapplicable to sales to retailers in other states because of the difference in applicable transportation charges.

During March 1942 the processor sold "XX" brand of domestic wine to retailers in Illinois. He establishes a prescribed uniform maximum price under Appendix E for sales of an item to customers of a particular class (the processor's March 1942 maximum price provided in Appendix A for the customers of the particular class, in container size as set forth below. The "base item" is an item of the same brand name and formula (including proof) in the largest container size (covered herein) sold or offered for sale during March 1942 to a customer of the same class, in accordance with the processor's March 1942 customer classification.

During March 1942 the processor sold "XZ" brand of liquor 50° proof, in fifths. The brand name, formula, (including proof) and container size now remain the same. His highest price to wholesalers in Minnesota during March 1942 was \$16.00 per case f.o.b. bottling plant. The March 1942 maximum price per case f.o.b. bottling plant, to the same class of customers, is as follows:

March selling price..... \$16.00
November 1, 1942 federal excise tax increase..... 2.58
March 1942 maximum price..... 18.58

EXAMPLES

During March 1942 the processor sold an item in both quarts and pints. He, therefore, has a March 1942 maximum price for each size. He cannot, therefore convert his March 1942 maximum price for quarts to a converted March 1942 maximum price for pints.

During March 1942 the processor sold an item in fifths and one-half pints. In order to establish a maximum price for pints, quarts, or tenths he must use the March 1942 maximum price for fifths as the basis for the conversion, in accordance with the method provided in this Appendix.

During March 1942 the processor sold an item in quarts to wholesalers in Florida only. He now wants to sell the same commodity in fifths to a monopoly state. The converted March 1942 maximum price is inapplicable to the sale to the monopoly state.

During March 1942 the processor sold an item in 24-ounce bottles. He now wants to sell the same commodity in fifths. A converted March 1942 maximum price cannot be established for the commodity in fifths because the 24-ounce size is not covered in this Appendix. A special maximum price by authorization under Appendix F must be established for the item in fifths.

Converted March 1942 maximum prices for changes in container sizes—Continued

EXAMPLES

(a) Rules for establishing maximum prices under Appendix B.

(1) The converted March 1942 maximum price is inapplicable to sales of any item of domestic whiskey bearing the same brand name as an item of domestic whiskey for which the processor has established a prescribed uniform maximum price provided in Appendix E.

(b) Procedure for establishing converted March 1942 maximum prices. The processor's converted March 1942 maximum price (for a change in container size) for sales of an item to customers of a particular class (the processor's March 1942 maximum price provided in Appendix A for the customers of the particular class, in container size as set forth below. The "base item" is an item of the same brand name and formula (including proof) in the largest container size (covered herein) sold or offered for sale during March 1942 to a customer of the same class, in accordance with the processor's March 1942 customer classification.

(1) Subtract from the March 1942 maximum price per case for the base item the following charges included therein:

(i) The amount of any state or local tax (except a processing tax).

(ii) The amount of any freight or transportation charges, if the March 1942 maximum price for the base item is a delivered price.

(2) For a change from a case of quarts, pints or half-pints to a case of fifths or tenths:

(i) Subtract from the resulting figure in (1), in accordance with the container size of the base item, \$1.50 for quarts, \$2.10 for pints, or \$2.85 for half-pints.

(ii) Multiply the resulting figure in (i) by .80; and

(iii) Add to the resulting figure in (ii) the amount of \$1.50 if the size to be priced is fifths, \$2.10 if tenths.

(3) For a change from a case of fifths or tenths to a case of quarts, pints or half-pints:

(i) Subtract from the resulting figure in (1), in accordance with the container size of the base item, \$1.50 for fifths, or \$2.10 for tenths.

(ii) Multiply the resulting figure in (i) by 1.25; and

(iii) Add to the resulting figure in (ii) the amount of \$1.50 if the size to be priced is quarts, \$2.10 for pints, or \$2.85 if half-pints.

(4) Add to the resulting figure in subparagraphs (2) or (3), as the case may be, the following amounts:

(i) The applicable amount of freight or transportation charges, at rates in effect during March 1942, if the March 1942 maximum price for the base item is a delivered price, using the same method of calculating such charges that he used in figuring his delivered price during March 1942.

(ii) The applicable amount of any state or local excise tax at rates in effect on November 2, 1942. Provided, That the amount of such tax actually paid or has accrued and become payable by the processor to the proper taxing authority or to any prior vendor.

The resulting figure is the converted March 1942 maximum price for the changed container size covered in subparagraphs (2) or (3), as the case may be.

During March 1942 the processor sold "XYZ" brand of domestic whiskey in fifths only. He has elected to establish a prescribed uniform maximum price under Appendix E for that item in fifths rather than a March 1942 maximum price under Appendix A. He cannot establish a converted March 1942 maximum price under this Appendix for "XYZ" brand in any container size. All items of domestic whiskey bearing the brand name "XYZ" must be priced under Appendix E.

The processor's March 1942 maximum price per case for "XYZ" brand of domestic whiskey, straight whiskey 4 yrs. old, 100° proof, quarts, to retailers in the District of Columbia, is \$27.00 per case. This is a delivered price which includes freight of \$1.00 per wine gallon. The processor is establishing a maximum price for the same brand name and formula (including proof) in fifths to customers of the same class. He did not sell or offer to sell the item in fifths during March 1942.

March 1942 maximum price.....	\$27.00
D. of C. tax (3 gallons @ \$.50).....	-1.50
Freight (42 lb. case).....	-42
	\$25.08
The change in this example is from quarts to fifths.	
Resulting figure in (1).....	\$25.08
Quart casing cost.....	-1.50
	23.58
Multiplier for quantity reduction.....	X .80
	\$18.86
Fifths casing cost.....	+1.50
	\$20.36
(To complete this conversion see subparagraph (4) below.)	
(No illustration is offered here for a change from fifths to tenths or quarts, pints, or half-pints.)	

Resulting figure in (2).....	\$20.36
Freight (21 lb. case).....	+32
	\$20.68
D. of C. tax (2.4 gallons @ \$.50).....	+1.20
	\$21.88

The converted March 1942 maximum price for the change covered on this example is \$21.88.

Converted March 1942 maximum prices for changes in container sizes—Continued

(a) Rules for establishing maximum prices under Appendix E.

(5) For a change from a case of quarts, pints or half-pints to a case of any of the other such container sizes:

(i) Subtract from the March 1942 maximum price for the base item the amount of freight or transportation charges at rates in effect during March 1942, if the March 1942 maximum price for the base item is a delivered price, using the same method of calculating such charges that he used in figuring his delivered price during March 1942.

(ii) Add to or subtract from the resulting figure in (i) the amount indicated in the table below for the container size to be priced.

From—	To quarts	To pints	To half-pints
Quarts.....	—	+\$.60	+\$1.35
Pints.....	—\$.60	—	+.75
Half-pints.....	—1.35	— .75	—

(iii) Add the applicable amount of freight or transportation charges at rates in effect during March 1942, if the March 1942 maximum price for the base item is a delivered price, using the same method of calculating such charges that he used in figuring his delivered price during March 1942.

The resulting figure is the converted March 1942 maximum price for the changed container size covered in subparagraph (5).

(6) For a change from a case of fifths to a case of tenths, or for a change from a case of tenths to a case of fifths:

(i) Subtract from the March 1942 maximum price for the base item the amount of freight or transportation charges included therein if such price is a delivered price.

(ii) Subtract 60 cents from the resulting figure in (i) if the size to be priced is fifths, and add 60 cents to the resulting figure in (i) if the size to be priced is tenths.

(iii) Add the applicable amount of freight or transportation charges at rates in effect during March 1942, if the March 1942 maximum price for the base item is a delivered price, using the same method of calculating such charges that he used in figuring his delivered price during March 1942.

The resulting figure is the converted March 1942 maximum price for the changed container size covered in subparagraph (6).

(7) As used in this Appendix the term:

"Case of quarts" means a total quantity of 3 wine gallons of domestic distilled spirits packaged in 12 individual containers of one-fourth wine gallon each, all enclosed in a single carton or box.

"Case of fifths" means a total quantity of 2 1/2 wine gallons of domestic distilled spirits packaged in 12 individual containers of one-fifth wine gallon each, all enclosed in a single carton or box.

"Case of pints" means a total quantity of 3 wine gallons of domestic distilled spirits packaged in 24 individual containers of one-eighth wine gallon each, all enclosed in a single carton or box.

"Case of half-pints" means a total quantity of 3 wine gallons of domestic distilled spirits packaged in 48 individual containers of one-sixteenth wine gallon each, all enclosed in a single carton or box.

"Case of tenths" means a total quantity of 2 1/2 wine gallons of domestic distilled spirits packaged in 24 individual containers of one-tenth wine gallon each, all enclosed in a single carton or box.

In the foregoing example, if the processor did not sell pints or half-pints during March 1942, he may now establish prices for sales of such sizes to the same class of customers using the quart price as the price for the base item as follows:

March 1942 maximum price for quarts.....	\$27.00
Subtract freight (42 lb. case).....	— .42
.....	\$26.58
Add amount indicated for pints.....	+ .60
.....	\$27.18
Add freight (48 lb. case).....	+ .48
.....	\$27.66

Converted March 1942 maximum price for pints.....

March 1942 maximum price for quarts.....	\$27.00
Subtract freight (42 lb. case).....	— .42
.....	\$26.58
Add amount indicated for half-pints.....	1.35
.....	\$27.93
Add freight (54 lb. case).....	+ .54
.....	\$28.47

Converted March 1942 maximum price for half-pints.....

.....

(No illustration is offered here for a change from fifths to tenths or tenths to fifths.)

EXAMPLES

PINTS

HALF-PINTS

Converted March 1942 maximum prices for changes in container sizes—Continued

(b) Rules for establishing maximum prices under Appendix B.

(1) Reports required to be filed. On or before the date of making the first sale of an item at a converted March 1942 maximum price established under this Appendix, the processor shall, by letter to the Office of Price Administration, Beverage Section, Washington, D. C., report the maximum price so established. The letter-report shall contain the following:

(i) The name and address of the processor filing the report.

(2) A statement that the report is filed under Appendix B to Article III of MPR 445.

(3) The brand name and container size of the item which is the subject of the report.

(4) The date upon which the processor filed OPA Form 615-22-A (brand name report required under Amendment No. 4 to MPR 185) for the base item used for the conversion made under this Appendix.

(5) The converted March 1942 maximum price for the item which is the subject of the report, and a statement showing the steps (similar to those illustrated by the examples) made by the processor to figure such price, in accordance with procedure provided in this Appendix.

(6) A list of all items of the same brand name and formula sold or offered for sale by the processor during March 1942.

Neither acceptance nor failure to act upon a letter-report filed under this paragraph shall constitute approval by the Office of Price Administration of the maximum prices so reported.

EXAMPLES

HALF-PINTS

Converted March 1942 maximum prices for changes in proof only

(a) Rules for establishing maximum prices under Appendix C.

(1) The conversion provided in this Appendix is applicable only to items of domestic whiskey, domestic gin, domestic brandy and domestic rum. For items of any other classification in which the proof differs from that for the item sold or offered for sale during March 1942, the processor must establish a special maximum price by authorization under Appendix F.

(2) If the processor during March 1942 sold or offered for sale two or more items differing only with respect to proof or container size, a converted March 1942 maximum price in this Appendix cannot be established for those items.

(3) The conversion provided in this Appendix may be made from the processor's March 1942 maximum price for an item of the same brand name and formula (except for the difference in proof) as the highest degree of proof sold or offered for sale by the processor during March 1942.

(4) The converted March 1942 maximum price is applicable only to sales to customers of the same class as that to which the base item was sold or offered for sale by the processor during March 1942.

(5) The converted March 1942 maximum price established under this Appendix is applicable to sales of any item of domestic whiskey bearing the same brand name as an item on which the processor has established a prescribed uniform maximum price provided in Appendix E.

During March 1942 the processor sold "ZZ" brand of apricot cordial at 70° proof. He now intends to sell that brand of apricot cordial at 60° proof. The conversion provided in this Appendix does not apply because this Appendix is not applicable to cordials, and a special maximum price by authorization under Appendix F must be established for sales of the item at 60° proof.

During March 1942 the processor sold "ZYX" brand of domestic gin at 80° proof, at both 90° and 95° proof. He cannot convert the March 1942 maximum price for the 90° proof item to a converted March 1942 maximum price for the 80° proof item.

During March 1942 the processor sold "ZYX" brand of domestic whiskey, 2 yrs. old, at both 90° and 100° proof in quarts. In order to establish a maximum price for that brand, 2 yrs. old, at 80° proof in quarts, the conversion must be made from the March 1942 maximum price for the 100° proof item in quarts.

During March 1942 the processor sold "ZX" brand of domestic gin at 80° proof only to retailers in Indiana. The converted March 1942 maximum price under this Appendix for sales of the item at 80° proof is applicable to sales to retailers in Indiana.

In order to establish a maximum price for that brand at 85° proof for sales to retailers in other states or for sales to wholesalers or monopoly states, the processor must establish a special maximum price by authorization under Appendix F.

During March 1942 the processor sold "WZY" brand of domestic whiskey only in fifths at 80° proof. He has elected to establish a prescribed uniform maximum price under Appendix E for "WZY" brand of domestic whiskey, in fifths at 85° proof. Thereafter he cannot establish a converted March 1942 maximum price (under Appendix C) for the item at 80° or any other proof because all items of domestic whiskey bearing the name "WZY" must be priced under Appendix E.

Converted March 1942 maximum prices for changes in proof only—Continued

(a) Rules for establishing maximum prices under Appendix C.

(i) Procedures for establishing converted March 1942 maximum prices. The processor converted March 1942 maximum price per case (for a change in proof) for sales of a particular class of a particular class is the processor's March 1942 maximum price provided in Appendix A for the base item, adjusted for the change in proof as set forth below. The "base item" is an item of the same brand name, container size and formula (except for a difference in proof) at the highest degree of proof sold or offered for sale by the processor during March 1942 to a customer of the same class, in accordance with the processor's March 1942 former classifications.

(c) In any instance where the container size of the item to be priced differs from that of the base item in paragraph (b), the processor's March 1942 maximum price for the base item shall first be adjusted under Appendix B for the difference in container size, and the converted March 1942 maximum price for the item in such changed container size shall then be adjusted for the change in proof as follows:

(1) Subtract from the March 1942 maximum price in paragraph (b) or from the converted March 1942 maximum price in paragraph (c), as the case may be, the following charges included therein:

(i) The amount of Federal rectification tax;

(ii) The amount of any state or local tax (except a processing tax); and

(iii) The amount of any freight or transportation charges if the price in (a) or (b) is a delivered price.

(2) Subtract from the resulting figure in subparagraph (1) the amount of \$1.50 if quarts or fifths are to be priced; \$2.10 if pints or tenths, or \$2.85 if half-pints.

(3) Figure the cost per degree of proof by dividing the resulting figure in subparagraph (2) by the number of degrees of proof of the formula of the base item. (This computation must be carried to four decimal places.)

(4) Multiply the resulting figure in subparagraph (3) by the number of degrees of proof of the formula of the item to be priced.

(5) Add to the resulting figure in subparagraph (4) the following amounts:

(i) The amount of casing cost subtracted in subparagraph (2).

(ii) The applicable amount of freight or transportation charges, at rates in effect during March 1942, if the price in paragraph (b) or (c) is a delivered price, using the same method of calculating such charges that is used in figuring the delivered price during March 1942.

(iii) The applicable amount of any state or local excise tax at rates in effect on November 2, 1942, and the applicable amount of Federal rectification tax at rates in effect on November 2, 1942. *Provided*, That the amount of such taxes imposed are actually paid or have accrued and become payable by the processor to the proper taxing authority or to any prior vendor.

The resulting figure is the converted March 1942 maximum price for sales in price or for the change in container size and proof, as the case may be.

(d) Reports required to be filed. On or before the date of making the first sale of an item at a converted March 1942 maximum price established under this Appendix, the processor shall, by letter to the Office of Price Administration, Beverage Section, Washington, D. C., report the maximum price so established. The letter-report shall contain the following:

(1) The name and address of the processor filing the report.

(2) A statement that the report is filed under Appendix C to Article III of MPR 445.

(3) The brand name, container size and proof of the item which is subject of the report.

EXAMPLES

The processor's March 1942 maximum price per case of "X" brand, in quarts, 80° proof, 50% straight whiskey 30 months old and 50% neutral spirits, is \$28.00 delivered to customers of the particular class. This price includes freight at \$1.00 per cwt. and rate taxes at \$1.50 per wine gallon. He now desires to sell "X" brand in quarts, same formula except that the proof is increased to 90°.

(If the processor desires to sell the above item at 90° in fifths rather than quarts, he must first convert the \$28.00 price under Appendix B to obtain the fifth price at 80° proof.)

March 1942 maximum price, quarts, 80° proof..... \$28.00

Federal rectification tax (80° proof)..... —\$0.72

State excise tax..... —27.28

Freight (42 lb. case)..... —3.00

Quart casing cost..... —24.58

Freight (42 lb. case)..... —.42

Quart casing cost..... —23.86

Freight (42 lb. case)..... —1.50

Quart casing cost..... —22.36

\$22.36 + \$0.80 = \$23.16

Proof of item to be priced..... \$0.2784

Freight (42 lb. case)..... —2.90

Quart casing cost..... —23.15

Freight (42 lb. case)..... —.42

Quart casing cost..... —20.85

Freight (42 lb. case)..... —.42

State excise tax..... —.81

Federal rectification tax (90° proof)..... —.80

Converted March 1942 maximum price for change in proof..... \$30.89

(4) The date upon which the processor filed OPA Form 635-232-A (brand name report required under Amendment No. 6 to MPR 1938) for the base item used for the conversion made under this Appendix.

(5) The converted March 1942 maximum price for the item which is the subject of the report, and a statement showing the steps (similar to those illustrated by the examples) made by the processor to figure such price, in accordance with procedure provided in this Appendix.

(6) A list of all items of the same brand name sold or offered for sale by the processor during March 1942.

Neither acceptance nor failure to act upon a letter-report filed under this paragraph shall constitute approval by the Office of Price Administration of the maximum prices so reported.

APPENDIX D

Converted March 1942 maximum prices for changes in formulae other than proof

(a) Rules for establishing maximum prices under Appendix D.

(i) The conversion provided in this Appendix is applicable only to items of domestic whiskey, except items containing malt whiskey. For items of all other classifications including blends of domestic whiskey which contain malt whiskey, in which the formula (other than proof) differs from that for the item sold or offered for sale by the processor during March 1942, the processor must establish a special maximum price by authorization under Appendix F.

(2) The converted March 1942 maximum price is inapplicable to sales of any item of domestic whiskey bearing the same brand name as an item for which the processor has elected to establish a prescribed uniform maximum price provided in Appendix E.

(3) The conversion provided in this Appendix must be made from the processor's March 1942 maximum price for an item of the same brand name as that to be priced.

(4) The converted March 1942 maximum price established under this Appendix is applicable only to sales to customers of the same class as that to which the base item was sold or offered for sale by the processor during March 1942.

(5) The converted March 1942 maximum price established under this Appendix is applicable only where the new formula replaces the formula used as the basis for the conversion. The processor cannot continue to sell both the item of the new formula at the March 1942 maximum price or the converted March 1942 maximum price for other changes and the item of the new formula at the converted March 1942 maximum price established under this Appendix.

Where he desires to sell items of both formulae each item must be priced under Appendix E by establishing a prescribed uniform maximum price, and all other items of domestic whiskey bearing the same brand name must also be priced under Appendix E.

(6) In computing whiskey costs under the methods provided in this Appendix, the age used for the computation shall be the age shown on the labels, and for blends, where the respective ages are not separately stated on the labels, the age of the youngest whiskey in the blend as stated on the labels. "Honed in bond" domestic whiskey shall be deemed to be four years of age where no age statement appears on the labels.

EXAMPLE

During March 1942 the processor sold "X" brand of domestic rum, 90° proof, 3 yrs. old. He now wants to price "X" brand of rum, 80° proof, 4 yrs. old. He cannot establish a converted March 1942 maximum price under this Appendix for the four year old item. He must establish a special maximum price by authorization for the new item under Appendix F.

During March 1942 the processor sold "W" brand, a blend of straight whiskeys, 70% 4 yrs. old and 30% 2 yrs. old, 80° proof. He has elected to establish a prescribed uniform maximum price for that item under Appendix E. He later decides to sell "W" brand as a blend of straight whiskeys 70% 4 yrs. old and 30% 3 yrs. old, 80° proof. He cannot then establish a converted March 1942 maximum price for such item under this Appendix. He must establish a prescribed uniform maximum price for the item under Appendix E.

During March 1942, processor sold "J. J. Doe" brand of domestic whiskey. He cannot use the March 1942 maximum price for that item to establish a converted March 1942 maximum price for "J. J. Doe" brand of domestic whiskey. Where there is any change of name the item must be priced under Appendix E by establishing a prescribed uniform maximum price.

During March 1942, the processor sold "X" brand of domestic whiskey only to monopoly states on a c. o. b. bottling plant basis. The formula of "X" brand is changed and a converted March 1942 maximum price is established under this Appendix. That price is applicable to sales to monopoly states on the same c. o. b. basis. It is not applicable to sales to wholesale dealers.

During March 1942, the processor sold "W" brand, a blended whiskey at 80° proof, 50% whiskey and 50% neutral spirits. He also sold the same brand, at the same proof, 60% whiskey and 40% neutral spirits. During the same month, he intends to sell "W" brand as a spirit blend whiskey 20% whiskey and 80% neutral spirits, at 80° proof. He uses as the base for the conversion the March 1942 maximum price for "W" brand, 60% whiskey, 50% neutral spirits. Thereafter he cannot continue to sell the 80-20 item at the March 1942 maximum price but he can continue to sell the 40-60 item at the March 1942 maximum price. If he desires to sell items of all three formulae, he must establish a prescribed uniform maximum price for such items under Appendix E.

Converted March 1942 maximum prices for changes in formulae other than proof—Continued

(a) Rules for establishing maximum prices under Appendix D.

(1) Procedure for establishing converted March 1942 maximum prices. The converted March 1942 maximum price (for a change in formulae other than proof) for sales of an item to customers of a particular class is the processor's March 1942 maximum price provided in Appendix A for the base item, adjusted for the change in formula (other than proof) as set forth below. The "base item" is an item of domestic whiskey of the same brand name sold or offered for sale by the processor during March 1942 to a customer of the same class, in accordance with the processor's March 1942 customer classifications.

(2) In any instance where either or both the container size and proof of the item to be priced differ from that of the base item in paragraph (b), the March 1942 maximum price for such base item shall first be adjusted under Appendix B for the difference in container size, if any, and second, under Appendix C for the difference in proof, if any. The converted March 1942 maximum price for the altered base item, in accordance with either or both of such changes, shall then be adjusted for the other changes in formula as follows:

(3) Subtract from the March 1942 maximum price in paragraph (b) or from the converted March 1942 maximum price in paragraph (c), as the case may be, the amount of federal rectification tax, if any, included in such price.

(4) Ascertain from Table 1 the cost of the whiskey or the cost of the whiskey and neutral spirits, as the case may be, both per case of the base item in paragraph (b) or of the altered base item in paragraph (c), and per case of the item to be priced, as follows:

(i) Formulae composed entirely of whiskey of one age.

(ii) Multiply the cost of the whiskey, as determined from Table 1, in accordance with the age and container size of the item, by the percentage of proof of the item. The resulting figure is the cost of the whiskey for the particular formula and container size.

(iii) Determine the amount of the difference between the cost for the formula of the item to be priced and the cost for the formula of the base item in paragraph (b) or of the altered base item in paragraph (c), as the case may be.

(iv) Adjust the resulting figure in paragraph (d) above as follows:

(a) Where the amount of the cost for the formula of the item to be priced is greater than the amount of the cost for the formula of the base item or the altered base item, as the case may be, add the amount of the difference between the respective costs to the resulting figure in paragraph (d).

(b) Where the amount of the cost for the formula of the item to be priced is less than the amount of the cost for the formula of the base item or the altered base item as the case may be, subtract the amount of the difference between the respective costs from the resulting figure in paragraph (d).

(c) Add to the resulting figure in (b) or (d), as the case may be, the applicable amount of federal rectification tax, if any, for the item to be priced. *Provided*, That the amount of such tax is actually paid or has accrued and become payable by the processor to the proper taxing authority or to any prior vendor.

The resulting figure is the converted March 1942 maximum price for a change in formula (other than size and formula (including proof), as the case may be.

EXAMPLE

The processor's March 1942 maximum price for "Z" brand per case of quarts, 90° proof, of a formula composed entirely of straight whiskey 36 months old, is \$20.00 to the particular class of customers.

(See Appendices B and C for examples of such conversions)

March 1942 maximum price in paragraph (b)..... \$20.00
Federal rectification tax..... —.00

The processor desires to sell "Z" brand under a formula composed entirely of straight whiskey 48 months old, 90° proof, in quarts.

Base item:
Cost of 36 months old whiskey at 100° proof in quarts..... \$5.022
Proof of base item..... X .90
4.5196

Formula to be priced:
Cost of 48 months old whiskey at 100° proof in quarts..... \$6.072
Table 1..... X .90
5.4648

Cost of formula of item to be priced..... \$5.4648
(b)..... —4.5196
— .9440

The cost for the formula of the item to be priced is greater than the cost for the formula of the base item. Resulting figure in (d)..... \$20.00
Add difference in cost..... +.945
20.945

(In the example above the cost of the whiskey for the item to be priced is greater than that for the base item. Therefore, no subtraction is made.)

Resulting figure in (e)..... \$20.945
Federal rectification tax..... +.00

Converted March 1942 maximum price..... \$20.945 or \$20.95

Converted March 1942 maximum prices for changes in formulae other than proof—Continued

(a) Rules for establishing maximum prices under Appendix D.

(2) Formulae composed entirely of whiskey of more than one age.

EXAMPLE

Instead of selling the item priced in the foregoing example, the processor desires to sell under "Z" brand name a formula (as stated on the label) composed of 50% 48 months old whiskey and 50% 36 months old whiskey, 90° proof, quarts. He has already determined the cost for the formula of the base item in accordance with subparagraph (1). He must now determine the cost for the new formula above as follows:

Cost 48 months aged whiskey, 100° proof, quarts, Table 1..... \$6.072
Multiply by percentage of such whiskey..... X .50
3.036

Cost 36 months aged whiskey 100° proof, quarts, Table 1..... \$5.022
Multiply by percentage of such whiskey..... X .50
2.511

Total of above..... \$5.547
Resulting figure in (i)..... \$5.547
Multiply by percentage of proof..... X .90
4.9923

Cost of formula of item to be priced..... 4.9923
Cost of formula of the base item in paragraph (b)..... 4.5196
Difference in cost..... .4725

The cost for the formula of the item to be priced is greater than the cost for the formula of the base item. Resulting figure in (d)..... \$20.00
Add difference in cost..... +.4725
20.4725

Resulting figure in (e)..... \$20.4725
Federal rectification tax..... +0.00

Converted March 1942 maximum price..... \$20.4725 or \$20.47

Instead of selling the item priced in the foregoing example, the processor desires to sell under "Z" brand name a formula composed of 10% straight whiskey 24 months old, 10% straight whiskey 36 months old, and 80% neutral spirits, 90° proof, quarts. The age of the whiskey and the percentages thereof are stated on the label of the item.

Cost 24 months aged whiskey, 100° proof, quarts, Table 1..... \$3.900
Multiply by percentage of such whiskey..... X .10
.3900

Cost 36 months aged whiskey, 100° proof, quarts, Table 1..... 5.022
Multiply by percentage of such whiskey..... X .10
.5022

Cost of neutral spirits, 100° proof, quarts, Table 1..... \$1.95
Multiply by percentage of neutral spirits..... X .80
1.560

(i) Multiply the cost for each age of whiskey in the formula of the item, as determined from Table 1, by the percentage of whiskey of such cost present in the formula, and determine the total of such computations.

(ii) Multiply the resulting figure in (i) by the percentage of proof of the item.

(iii) Determine the amount of the difference between the cost for the formula of the item to be priced and the cost for the formula of the base item in paragraph (b) or of the altered base item in paragraph (c), as the case may be.

(iv) Adjust the resulting figure in paragraph (d) as follows:

(a) Where the amount of the cost for the formula of the item to be priced is greater than the amount of the cost for the formula of the base item or the altered base item, as the case may be, add the amount of the difference between the respective costs to the resulting figure in paragraph (d).

(b) Where the amount of the cost for the formula of the item to be priced is less than the amount of the cost for the formula of the base item or the altered base item, as the case may be, subtract the amount of the difference between the respective costs from the resulting figure in paragraph (d).

(c) Add to the resulting figure in (a) or (b), as the case may be, the applicable amount of federal rectification tax, if any, for the item to be priced. *Provided*, That the amount of such tax is actually paid or has accrued and become payable by the processor to the proper taxing authority or to any prior vendor.

The resulting figure is the converted March 1942 maximum price for a change in formula (other than size and formula (including proof), as the case may be.

(2) Formulae composed of both whiskey and neutral spirits.

(i) Multiply the cost for each age of whiskey in the formula of the item, as determined from Table 1, by the percentage of whiskey of such cost present in the formula.

(ii) Multiply the cost for neutral spirits in the formula of the item, as determined from Table 1, by the percentage of neutral spirits present in the formula.

Converted March 1942 maximum prices for changes in formulae other than proof—Continued

(a) Rules for establishing maximum prices under Appendix D.
(b) Determine the total of the resulting figures in (i) and (ii), and multiply the figure so obtained by the percentage of proof of the item.

EXAMPLE	
Resulting figures in (i).....	\$0.9909
Resulting figure in (ii).....	0.022
Total cost.....	2.4591
Multiply by percentage of proof.....	X.90
	2.2132

The resulting figure is the cost of the whiskey and neutral spirits for the particular formula and container size.

(c) Determine the amount of the difference between the cost for the formula of the item to be priced and the cost for the formula of the base item in paragraph (b), or the altered base item in paragraph (c), as the case may be.

(d) Adjust the resulting figure in paragraph (d) as follows:

(i) Where the amount of the cost for the formula of the item to be priced is greater than the amount of the cost for the formula of the base item or altered base item, as the case may be, add the amount of the difference between the respective costs to the resulting figure in paragraph (d).

(ii) Where the amount of the cost for the formula of the item to be priced is less than the amount of the cost for the formula of the base item or altered base item, as the case may be, subtract the amount of the difference between the respective costs from the resulting figure in paragraph (d).

(e) Add to the resulting figure in (d) or (i), as the case may be, the applicable amount of federal rectification tax, if any, for the item to be priced: *Pro-rated*. That the amount of such tax is actually paid or has accrued and become payable by the processor to the proper taxing authority or to any prior vendor.

The resulting figure is the *converted March 1942 maximum price* for a change in formula (other than proof), or for a change in either or both the container size and formula (including proof), as the case may be.

(f) **Reports required to be filed.** On or before the date of making the first sale of an item at a *converted March 1942 maximum price* established under this Appendix, the processor shall, by letter to the Office of Price Administration, Beverage Section, Washington, D. C., report the maximum price so established. The letter-report shall contain the following:

(1) The name and address of the processor filing the report.
(2) A statement that the report is filed under Appendix D to Article III of MPR 445.

(3) The brand name, container size and formula of the item which is the subject of the report. (Attach front and back labels to letter-report.)

(4) The date upon which the processor filed OPA Form 635-232-A (brand name report required under Amendment No. 6 to MPR 193) for the base item used for the conversion made under this Appendix.

(5) The *converted March 1942 maximum price* for the time which is the subject of the report, and a statement showing the steps (similar to those illustrated by the examples) made by the processor to figure such price, in accordance with procedure provided in this Appendix.

(6) A list of all items of the same brand name sold or offered for sale by the processor during March 1942.

Neither acceptance nor failure to act upon a letter-report filed under this paragraph shall constitute approval by the Office of Price Administration of the maximum prices so reported.

Cost of formula of the base item in paragraph (b).....	\$4.3198
Cost of formula of item to be priced.....	2.2132
Difference in cost.....	2.3066

The cost for the formula of the item to be priced is less than the cost for the formula of the base item.

Resulting figure in (d).....	\$36.00
Subtract difference in cost.....	-2.91

Resulting figure in (e).....	\$3.69
Federal rectification tax.....	\$3.69
	-7.81

Converted March 1942 maximum price.....	24.50
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TABLE I.—Costs of Domestic Straight Whiskey and Neutral Spirits

Weighted average age in months		Domestic whiskey cost at 100° proof		Neutral spirits cost at 100° proof	
More than—	Not more than—	3 gallon case of qtts. per or half case of 500 ml. pks.	2.4 gallon case of qtts. per or half case of 500 ml. pks.	3 gallon case of qtts. per or half case of 500 ml. pks.	2.4 gallon case of qtts. per or half case of 500 ml. pks.
-----	9	\$2.463	\$1.970	\$1.95	\$1.56
15	15	2.946	2.366	1.95	1.56
21	21	3.462	2.769	1.95	1.56
27	27	3.966	3.175	1.95	1.56
33	33	4.500	3.600	1.95	1.56
39	39	5.062	4.042	1.95	1.56
45	45	5.672	4.507	1.95	1.56
51	51	6.300	5.000	1.95	1.56
57	57	7.077	5.528	1.95	1.56
63	63	7.580	6.061	1.95	1.56
69	69	8.528	6.422	1.95	1.56
75	75	8.353	6.840	1.95	1.56
81	81	9.105	7.294	1.95	1.56
87	87	9.518	7.478	1.95	1.56
93	-----	9.600	7.680	1.95	1.56

APPENDIX E

Prescribed uniform maximum prices

(a) Rules for establishing maximum prices under Appendix E.

(1) The *prescribed uniform maximum price* provided in this Appendix is applicable only to items of domestic whiskey (not including items containing malt whiskey). All other classifications of domestic distilled spirits (including malt whiskey) must be priced under other applicable provisions of Article III.

(2) All items of domestic whiskey of a brand name not sold or offered for sale by the processor during March 1942 must be priced under this Appendix. Any item of domestic whiskey, whether or not sold or offered for sale by the processor during March 1942 may be priced under this Appendix. However, after once making a sale of an item of domestic whiskey at a *prescribed uniform maximum price* provided in this Appendix, maximum prices for all sales thereafter of any item of domestic whiskey bearing the same brand name, under any formula or in any container size, must be established under this Appendix.

(3) Any change whatsoever in the brand name of an item of domestic whiskey sold or offered for sale by the processor during March 1942 shall be deemed to be a new brand name, and the item so changed must be priced under this Appendix.

(4) *Prescribed uniform maximum prices* are applicable only to the particular classes of customers specified in this Appendix. For all other classes of customers a *special maximum price* by authorization must be established under Appendix F.

(5) In computing prices under the methods provided in this Appendix, the age of the whiskey in the blends, where the respective ages are not separately stated on the labels, the age of the youngest whiskey in the blend as stated on the labels. "Bottled in bond" domestic whiskey shall be deemed to be four years of age where no age statement appears on the labels.

EXAMPLES

During March 1942 the processor sold "XYZ" brand of Cherry Cordial. During May 1942 he introduced "XYZ Special" brand of Cherry Cordial. He cannot establish a *prescribed uniform maximum price* for either item because that price is applicable only to items of domestic whiskey.

During March 1942 the processor sold "WXY" brand of domestic whiskey, 4 yrs. old, 100° proof, in quarts. During October 1942 he introduced "WXY" brand of domestic whiskey, 4 years old, 100° proof, in quarts. The processor must establish a *prescribed uniform maximum price* for "WXY" brand, and for any other item of domestic whiskey bearing that brand name. If he so desires, the processor may establish a *prescribed uniform maximum price* for "WXY" brand, and after making a sale at such price he must establish a *prescribed uniform maximum price* for all items of domestic whiskey under the brand name "WXY".

See section 3.3 (b) for explanation of what constitutes a change of brand name.

Prescribed uniform maximum prices are provided for sales to wholesalers, monopoly states, primary distributing agents, retailers and consumers.

"XY" brand of domestic whiskey is composed of whiskeys of the following ages in the following percentages:
50% whiskey 4 years old,
25% whiskey 6 years old.

The back and front label carry only the statement "the whiskeys in this product are 4 years or more old". For the purpose of this Appendix, the blend must be priced as though it contains only 4 year old whiskey.

Prescribed uniform maximum prices—Continued

(a) Rules for establishing maximum price under Appendix E.

(b) Procedures for establishing prescribed uniform maximum prices.

The processor's maximum price per case, for sales of an item of packaged domestic whiskey to purchasers of the classes specified below, shall be the prescribed uniform maximum price determined as follows:

(1) Processors' sales to wholesalers and monopoly states.

(i) Formula composed entirely of whiskey of one age.

(c) Ascertain from Table II the applicable maximum price per case of quarts or fifths, respectively, in accordance with the age of the whiskey in the formula, at 80° proof.

NOTE: Table II prices are shown only at 80° proof in quarts and fifths. They are completed prices for items at 80° proof in quarts and fifths, except for applicable state and local taxes for which see (d) below.

(d) Where the proof of the item to be priced is greater than 80°, ascertain from Table II the applicable proof adjustment figure in accordance with the age of the whiskey in the formula and the container size, and multiply such proof adjustment figure by a figure equal to the difference between 80 and the number of degrees of proof of the item to be priced. Add the resulting figure to the amount determined in (c).

(e) Where the container sizes to be priced are either pints or half-pints, add to the resulting figure in (d) per case of quarts \$3.00 if pints are to be priced, and \$1.25 if half-pints.

(f) Where state or local excise taxes apply, add to the figure obtained in (e), (d), or (e), as the case may be, the applicable amount of any state or local excise tax in effect on November 2, 1942. *Provided*, That the amount of such taxes imposed is actually paid or has accrued and become payable by the processor to the proper taxing authority or to any prior vendor. And *provided further*, That the amount of such tax once so added shall not again be added to the maximum prices established under subparagraphs (2), (3), and (4) of this paragraph (b).

The resulting figure in (e), (d), or (e), as the case may be, is the processor's prescribed uniform maximum price for sales of an item of packaged domestic whiskey where the formula of the item is composed entirely of whiskey of one age.

NOTE: The maximum prices so figured include applicable federal excise taxes through November 2, 1942.

(ii) Formula composed entirely of whiskey of more than one age.

(c) Ascertain the weighted average age of the whiskey in the formula by multiplying the percentage of each age of whiskey in the formula by the age (in months) of such whiskey, and determine the total of such computations.

The resulting figure is the weighted average age of the whiskey in the formula.

NOTE: Where the label of the item contains no age specification other than a statement of the youngest age in the blend compute whiskey cost in (b) on the basis of the youngest age as stated on the label. In such case, weighted average age must not be computed.

(d) Ascertain from Table II the applicable maximum price per case of quarts or fifths, respectively, in accordance with the weighted average age of the whiskey in the formula, at 80° proof.

EXAMPLES

After March 31, 1942 the processor sells a formula under a brand name which he has not sold or offered for sale during March 1942. He must now establish a prescribed uniform maximum price for the item in each container size he desires to sell, and for each class of customers. The item to be priced is a formula composed of straight whiskey, 60 months old, 80° proof, in quarts, pints and half-pints for sales to wholesalers and monopoly states.

60 months aged whiskey, quarts, 80° proof,
Table II..... \$22.91

Proof adjustment figure, quarts, Table II..... \$ 28
Multiply by difference between 80 and 66..... X9

Resulting figure in (d)..... 1.68
Add amount of proof adjustment..... \$24.59
Quart price, 80° proof..... \$24.59
Pints..... \$24.59 + 0.00 = \$24.59
Half-pints..... \$24.59 + 1.25 = \$25.84

Quarts Pints Half-pints
State tax..... \$25.00 \$26.10 \$26.94
0.00 0.00 0.00
\$25.00 \$26.10 \$26.94

The processor is pricing a formula which as stated on the label is composed of 10% whiskey, 84 months old, 10% whiskey 60 months old, 40% whiskey 36 months old, and 40% whiskey 24 months old, 80° proof, in fifths.

$10\% \times 84 = 8.4$
 $10\% \times 60 = 6.0$
 $40\% \times 36 = 14.4$
 $40\% \times 24 = 9.6$
38.4

Weighted average age 38.4 months.

38.4 months aged whiskey, 80° proof, fifths,
Table II..... \$17.9

Prescribed uniform maximum prices—Continued

EXAMPLES

(a) Rules for establishing maximum prices under Appendix E.

(b) Procedures for establishing prescribed uniform maximum prices.

The processor's maximum price per case, for sales of an item of packaged domestic whiskey to purchasers of the classes specified below, shall be the prescribed uniform maximum price determined as follows:

(1) Processors' sales to wholesalers and monopoly states.

(i) Formula composed entirely of whiskey of one age.

(c) Ascertain from Table II the applicable maximum price per case of quarts or fifths, respectively, in accordance with the age of the whiskey in the formula, at 80° proof.

NOTE: Table II prices are shown only at 80° proof in quarts and fifths. They are completed prices for items at 80° proof in quarts and fifths, except for applicable state and local taxes for which see (d) below.

(d) Where the proof of the item to be priced is greater than 80°, ascertain from Table II the applicable proof adjustment figure in accordance with the age of the whiskey in the formula and the container size, and multiply such proof adjustment figure by a figure equal to the difference between 80 and the number of degrees of proof of the item to be priced. Add the resulting figure to the amount determined in (c).

(e) Where the container sizes to be priced are either pints or half-pints, add to the resulting figure in (d) per case of quarts \$3.00 if pints are to be priced, and \$1.25 if half-pints.

(f) Where state or local excise taxes apply, add to the figure obtained in (e), (d), or (e), as the case may be, the applicable amount of any state or local excise tax in effect on November 2, 1942. *Provided*, That the amount of such taxes imposed is actually paid or has accrued and become payable by the processor to the proper taxing authority or to any prior vendor. And *provided further*, That the amount of such tax once so added shall not again be added to the maximum prices established under subparagraphs (2), (3), and (4) of this paragraph (b).

The resulting figure in (e), (d), or (e), as the case may be, is the processor's prescribed uniform maximum price for sales of an item of packaged domestic whiskey where the formula of the item is composed entirely of whiskey of more than one age.

NOTE: The maximum prices so figured include applicable federal excise taxes through November 2, 1942.

(ii) Formula composed of both whiskey and neutral spirits.

(c) Ascertain the weighted average age of the whiskey in the formula by multiplying the percentage of each age of whiskey in the formula by the age (in months) of such whiskey, and determine the total of the figures so obtained; and divide that total by the total percentage of whiskey in the formula.

The resulting figure is the weighted average age of the whiskey in the formula.

NOTE: Where the label of the item contains no age specification other than a statement of the youngest age in the blend, compute cost in (b) on the basis of the youngest age as stated on the label. In such case, weighted average age must not be computed.

(d) Ascertain from Table III the applicable maximum price per case of quarts at 80° proof, or from Table IV the applicable maximum price per case of average or youngest age of the whiskey and the percentage of neutral spirits in the formula.

(e) Where the proof of the item to be priced is greater than 80°, ascertain from Table III (for quarts) or from Table IV (for fifths) the applicable proof adjustment figure in accordance with the weighted average or youngest age of the whiskey and the percentage of neutral spirits in the formula, and multiply such proof adjustment figure by a figure equal to the difference between 80 and the number of degrees of proof of the item to be priced. Add the resulting figure to the amount determined in (d).

(f) Where the container sizes to be priced are either pints or half-pints, add to the resulting figure in (e) per case of quarts \$3.00 if pints are to be priced, and \$1.25 if half-pints.

(g) Where state or local excise taxes apply, add to the resulting figure in (e), (d), or (e), as the case may be, the applicable amount of any state or local excise tax in effect on November 2, 1942. *Provided*, That the amount of such tax imposed is actually paid or has accrued and become payable by the processor to the proper taxing authority; or to any prior vendor; and *provided further*, That the amount of such tax once so added shall not again be added to the maximum prices established under subparagraphs (2), (3), and (4) of this paragraph (b).

Proof adjustment figure..... \$ 205
Multiply by difference between 80 and 93..... X13

Resulting figure in (d)..... 2.67
Add amount for proof adjustment..... 17.92
Fifth price, 93° proof..... \$20.59

Fifths..... \$20.59
Rectification tax..... .67
State tax..... .00
\$21.26

Processor's uniform maximum price for sales of above item to wholesalers and monopoly states:

Fifths..... \$21.26

The processor is pricing a formula which as stated, on the label is composed of 25% straight whiskey, 48 months old, 10% straight whiskey, 60 months old, and 65% neutral spirits, 95° proof, in quarts, pints, and half-pints.

$25\% \times 48 = 12.0$
 $10\% \times 60 = 6.0$
Total..... 18.0
 $18 \div 35\% = 51.4$ months

Weighted average age whiskey 51.4 months.

51.4 months aged whiskey, at 80° proof, 60% neutral spirits, quarts, Table III, \$22.22.

Proof adjustment figure, quarts, Table III..... \$ 27.15
Multiply by difference between 80 and 93..... X15

Resulting figure in (d)..... \$23.22
Add amount for proof adjustment..... 4.07
Quart price, 95° proof..... 27.29

Pints..... \$27.29 + 0.00 = \$27.29
Half-pints..... \$27.29 + 1.25 = \$28.54

Quarts Pints Half-pints
State tax..... \$27.29 \$27.89 \$28.64
0.00 0.00 0.00
\$27.29 \$27.89 \$28.64

Prescribed uniform maximum prices—Continued

(a) Rules for establishing maximum prices under Appendix E.

The resulting figure is the processor's prescribed uniform maximum price for sales to wholesalers and monopoly states of an item of packaged domestic whiskey where the formula of the item is composed of both whiskey and neutral spirits.

Note: The maximum prices so figured include applicable federal rectification and excise taxes through November 2, 1942.

(2) Processor's sales to primary distributing agents. The processor's prescribed uniform maximum price per case, f. o. b. bottling plant, for sales to primary distributing agents shall be the processor's prescribed uniform maximum price per case, f. o. b. bottling plant, for sales of the item to wholesalers and monopoly states (determined as provided in subparagraph (1) above), subject to any discount, allowance or price differential agreed upon by the particular processor and primary distributing agent.

(3) Processor's sales to retailers. (i) Sales of items shipped directly to the retailer's premises from the bottling plant. The processor's prescribed uniform maximum price per case for sales of an item shipped directly to the retailer's premises from the bottling plant shall be figured by the processor as follows:

(a) Determine the prescribed uniform maximum price per case, f. o. b. bottling plant, in accordance with subparagraph (1) above, for his sales of the item to wholesalers and monopoly states.

(b) Add to the figure so obtained the applicable amount of any state or local excise tax at rates in effect on November 2, 1942. *Provided*, That the amount of such tax is actually paid by the processor.

(c) Multiply the resulting figure in (b) by the percentage markup provided in section 5.4 (b) (1) of Article V for sales of packaged distilled spirits by wholesalers to retailers.

(d) Add to the resulting figure in (c) the actual amount of transportation charges paid by the processor if such charges are prepaid by him.

The resulting figure in (d) or (d), as the case may be, is the processor's prescribed uniform maximum price per case for sales of an item shipped directly to the retailer's premises from the bottling plant.

(ii) Sales of items shipped to the retailer's premises from the processor's zone warehouse. The processor's prescribed uniform maximum price for sales of an item shipped to the retailer's premises from the processor's zone warehouse shall be figured by the processor as follows:

(a) Determine the prescribed uniform maximum price per case, f. o. b. bottling plant, in accordance with subparagraph (1) above, for his sales of the item to wholesalers and monopoly states.

(b) Add to the figure so obtained the actual amount of transportation charges paid by the processor for shipment from the bottling plant to his zone warehouse. No amount shall be included for local hauling, loading, unloading, drayage or other handling.

(c) Add to the resulting figure in (b) the applicable amount of any state or local excise tax at rates in effect on November 2, 1942. *Provided*, That the amount of such tax is actually paid by the processor.

(d) Multiply the resulting figure in (c) by the percentage markup provided in section 5.4 (b) (1) of Article V for sales of packaged distilled spirits by wholesalers to retailers.

The resulting figure in (d) is the processor's prescribed uniform maximum price, delivered to the retailer's premises, for his sales of an item to a retailer located within the metropolitan area of the processor's zone warehouse, and it is also the processor's prescribed uniform maximum price per case, f. o. b. zone warehouse, for sales of an item to a retailer located outside of the metropolitan area of such warehouse.

EXAMPLES

The processor's maximum price for the item in the example above, shipped directly to a retailer in Phoenix, Arizona from Louisville, Kentucky, where the item is bottled, is as follows:

Price to wholesalers, f. o. b. bottling plant, Louisville, Kentucky, quarts.....	\$27.29
Arizona state taxes are prepaid by the retailer and he furnishes tax stamps to the processor. Therefore, no addition can be made for state or local excise taxes.	
Resulting figure in (b).....	\$27.29
Applicable markup.....	X1.15
	31.3833
Freight charges are prepaid by the processor.	
Resulting figure in (c).....	\$31.3833
Freight to Phoenix, Ariz.....	-1.0215
	31.0000

The prescribed uniform maximum price delivered to the retailer's premises in Phoenix, Arizona, \$31.01

The processor's maximum price for the item in the example above, delivered to retailers in the Chicago metropolitan area from the processor's zone warehouse in Chicago, Illinois, is as follows:

Price to wholesalers, f. o. b. bottling plant, Louisville, Kentucky, quarts.....	\$27.29
Freight (Louisville to Chicago zone warehouse).....	+ .40
	27.69
Illinois tax paid by processor.....	+1.50
	29.19
Resulting figure in (c).....	29.19
Applicable markup.....	X1.15
	33.67

The prescribed uniform maximum price for the item delivered to retailers in the Chicago metropolitan area from the processor's zone warehouse in Chicago, Illinois is \$33.67 per case. For sales to retailers outside of the Chicago metropolitan area, the processor's prescribed uniform maximum price, f. o. b. processor's zone warehouse in Chicago, Illinois, is likewise \$33.67 per case.

Prescribed uniform maximum prices—Continued

(a) Rules for establishing maximum prices under Appendix E.

EXAMPLES

(4) Processor's sales to consumers. The processor's prescribed uniform maximum price provided in subparagraph (1) for sales of the item to wholesalers and monopoly states plus the additions provided in section 5.3 (b) (2) and (3) (1) of Article V, and the total thereof multiplied by the percentage markup provided in section 5.3 (b) (1) of Article V for sales of packaged domestic distilled spirits by retailers to consumers, shall be the processor's prescribed uniform maximum price for sales of the item to consumers.

The processor's maximum price for sales of the above item to consumers from his retail store in Chicago, Illinois, is as follows:	
Price to wholesalers, f. o. b. Louisville, quarts.....	\$27.29
Freight to his retail store.....	1.50
Illinois tax.....	29.19
Applicable markup.....	X1.333
	38.91
Price per case, quarts.....	
Price per individual container (quart):	
\$38.91 ÷ 12 = \$3.24.	

(c) Reports required to be filed. On or before the date of making the first sale of an item at a prescribed uniform maximum price established under this Appendix, the processor shall, by letter to the Office of Price Administration, Beverage Section, Washington, D. C., report the maximum price so established. The letter-report shall contain the following:

(1) The name and address of the processor filing the report.

(2) A statement that the report is filed under Appendix E to Article III of MPR 445.

(3) The brand name, container size and formula of the item which is the subject of the report. (Attach front and back labels to letter-report).

(4) The prescribed uniform maximum price for the item which is the subject of the report, and a statement showing the steps (similar to those illustrated by the examples) made by the processor to figure such price, in accordance with procedures provided in this Appendix.

(5) A list of all items of the same brand name sold or offered for sale by the processor during March 1942, if any.

Neither acceptance nor failure to act upon a letter-report filed under this paragraph shall constitute approval by the Office of Price Administration of the maximum prices so reported.

TABLE II—PROCESSORS' MAXIMUM PRICES FOR FORMULAE COMPOSED ENTIRELY OF WHISKY

Weighted average in months		3 gallon case of quarts		2.4 gallon case of fifths	
More than—	Not more than—	Maximum price at 80° proof	Adjustment per degree of proof	Maximum price at 80° proof	Adjustment per degree of proof
-----	0	\$19.70	\$0.228	\$16.06	\$0.182
-----	15	20.14	0.233	16.41	0.186
-----	15	20.61	0.239	16.79	0.191
-----	27	21.07	0.245	17.16	0.196
-----	27	21.56	0.251	17.55	0.201
-----	33	22.03	0.257	17.92	0.205
-----	39	22.50	0.263	18.30	0.210
-----	45	22.96	0.269	18.68	0.215
-----	51	23.47	0.275	19.08	0.220
-----	57	23.91	0.280	19.43	0.224
-----	63	24.33	0.285	19.79	0.228
-----	69	24.78	0.291	20.12	0.233
-----	75	25.25	0.297	20.50	0.238
-----	81	25.76	0.303	20.91	0.243
-----	87	26.28	0.309	21.08	0.245
-----	93	26.21	0.309	21.27	0.247

NOTE.—The prices in this table include Federal excise taxes at rates in effect on November 2, 1942. These prices do not include either the Federal rectification tax or any State or local taxes.

LIQUOR INDUSTRY

TABLE III.—PROCESSORS' MAXIMUM PRICES FOR FORMULAE COMPOSED OF BOTH WHISKY AND NEUTRAL SPIRITS, QUARTS ONLY

Weighted average age of whiskey		Percentage of neutral spirits													
More than—	Not more than—	37.5	42.5	47.5	52.5	57.5	62.5	67.5	72.5	77.5	82.5	87.5	92.5		
More than—	Not more than—	37.5	42.5	47.5	52.5	57.5	62.5	67.5	72.5	77.5	82.5	87.5	92.5		
9 Mo. 80°	22.02	21.95	21.93	21.90	21.88	21.85	21.83	21.81	21.79	21.76	21.73	21.70	21.68		
9 15	22.01	22.00	21.97	21.95	21.93	21.90	21.88	21.85	21.83	21.81	21.79	21.76	21.73		
15 21	22.00	21.99	21.96	21.94	21.92	21.89	21.87	21.84	21.82	21.80	21.78	21.75	21.72		
15 21	21.99	21.98	21.95	21.93	21.91	21.88	21.86	21.83	21.81	21.79	21.77	21.74	21.71		
21 27	21.98	21.97	21.94	21.92	21.90	21.87	21.85	21.82	21.80	21.78	21.76	21.73	21.70		
27 33	21.97	21.96	21.93	21.91	21.89	21.86	21.84	21.81	21.79	21.77	21.75	21.72	21.69		
33 39	21.96	21.95	21.92	21.90	21.88	21.85	21.83	21.80	21.78	21.76	21.74	21.71	21.68		
39 45	21.95	21.94	21.91	21.89	21.87	21.84	21.82	21.79	21.77	21.75	21.73	21.70	21.67		
45 51	21.94	21.93	21.90	21.88	21.86	21.83	21.81	21.78	21.76	21.74	21.72	21.69	21.66		
51 57	21.93	21.92	21.89	21.87	21.85	21.82	21.80	21.77	21.75	21.73	21.71	21.68	21.65		
57 63	21.92	21.91	21.88	21.86	21.84	21.81	21.79	21.76	21.74	21.72	21.70	21.67	21.64		
63 69	21.91	21.90	21.87	21.85	21.83	21.80	21.78	21.75	21.73	21.71	21.69	21.66	21.63		
69 75	21.90	21.89	21.86	21.84	21.82	21.79	21.77	21.74	21.72	21.70	21.68	21.65	21.62		
75 81	21.89	21.88	21.85	21.83	21.81	21.78	21.76	21.73	21.71	21.69	21.67	21.64	21.61		
81 87	21.88	21.87	21.84	21.82	21.80	21.77	21.75	21.72	21.70	21.68	21.66	21.63	21.60		
87 93	21.87	21.86	21.83	21.81	21.79	21.76	21.74	21.71	21.69	21.67	21.65	21.62	21.59		
93 99	21.86	21.85	21.82	21.80	21.78	21.75	21.73	21.70	21.68	21.66	21.64	21.61	21.58		

*P. A.—Proof adjustment (adjustment per degree of proof).

Note: The prices in this table include Federal excise and rectification taxes at rates in effect November 2, 1942. These prices do not include any State or local taxes.

LIQUOR INDUSTRY

TABLE IV.—PROCESSORS' MAXIMUM PRICES FOR FORMULAE COMPOSED OF BOTH WHISKY AND NEUTRAL SPIRITS, FIFTHS ONLY

Weighted average age of whiskey		Percentage of neutral spirits													
More than—	Not more than—	More than—	Not more than—	37.5	42.5	47.5	52.5	57.5	62.5	67.5	72.5	77.5	82.5	87.5	92.5
More than—	Not more than—	More than—	Not more than—	37.5	42.5	47.5	52.5	57.5	62.5	67.5	72.5	77.5	82.5	87.5	92.5
9 Mo. 80°	17.62	17.60	17.57	17.55	17.53	17.50	17.48	17.45	17.43	17.41	17.39	17.36	17.33	17.30	17.28
9 15	17.61	17.60	17.57	17.55	17.53	17.50	17.48	17.45	17.43	17.41	17.39	17.36	17.33	17.30	17.28
15 21	17.60	17.59	17.56	17.54	17.52	17.49	17.47	17.44	17.42	17.40	17.38	17.35	17.32	17.29	17.27
21 27	17.59	17.58	17.55	17.53	17.51	17.48	17.46	17.43	17.41	17.39	17.37	17.34	17.31	17.28	17.26
27 33	17.58	17.57	17.54	17.52	17.50	17.47	17.45	17.42	17.40	17.38	17.36	17.33	17.30	17.27	17.25
33 39	17.57	17.56	17.53	17.51	17.49	17.46	17.44	17.41	17.39	17.37	17.35	17.32	17.29	17.26	17.24
39 45	17.56	17.55	17.52	17.50	17.48	17.45	17.43	17.40	17.38	17.36	17.34	17.31	17.28	17.25	17.23
45 51	17.55	17.54	17.51	17.49	17.47	17.44	17.42	17.39	17.37	17.35	17.33	17.30	17.27	17.24	17.22
51 57	17.54	17.53	17.50	17.48	17.46	17.43	17.41	17.38	17.36	17.34	17.32	17.29	17.26	17.23	17.21
57 63	17.53	17.52	17.49	17.47	17.45	17.42	17.40	17.37	17.35	17.33	17.31	17.28	17.25	17.22	17.20
63 69	17.52	17.51	17.48	17.46	17.44	17.41	17.39	17.36	17.34	17.32	17.30	17.27	17.24	17.21	17.19
69 75	17.51	17.50	17.47	17.45	17.43	17.40	17.38	17.35	17.33	17.31	17.29	17.26	17.23	17.20	17.18
75 81	17.50	17.49	17.46	17.44	17.42	17.39	17.37	17.34	17.32	17.30	17.28	17.25	17.22	17.19	17.17
81 87	17.49	17.48	17.45	17.43	17.41	17.38	17.36	17.33	17.31	17.29	17.27	17.24	17.21	17.18	17.16
87 93	17.48	17.47	17.44	17.42	17.40	17.37	17.35	17.32	17.30	17.28	17.26	17.23	17.20	17.17	17.15
93 99	17.47	17.46	17.43	17.41	17.39	17.36	17.34	17.31	17.29	17.27	17.25	17.22	17.19	17.16	17.14

*P. A.—Proof adjustment (adjustment per degree of proof).

Note: The prices in this table include Federal excise and rectification taxes at rates in effect November 2, 1942. These prices do not include any State or local taxes.

APPENDIX F

Special maximum prices by authorization

(a) *Who is permitted or required to file an application for authority to establish special maximum prices by authorization.*

(1) Processors of items of packaged domestic distilled spirits for which no other pricing method is provided in this Article, or processors who for any reason are unable to establish a maximum price under the other Appendices to this Article.

(2) Processors who have established maximum prices under Appendices A through F inclusive, for sales of an item to particular classes of customers but who now desire to sell the item to another class of customers for which they cannot establish a maximum price under the applicable Appendix.

(b) *Prohibited sales.* Except as provided in paragraph (c) of this section:

(1) A processor making application for authority to establish a special maximum price by authorization for sales of an item of packaged domestic distilled spirits shall not, prior to the date on which that authority is granted, sell, offer to sell, or deliver the item that is the subject of the application; and

(2) A seller required to make application for authority to establish a maximum price for a particular sale shall not make, or agree to make that sale until after the application is filed and authority granted.

(c) *Adjustable pricing while an application under this section is pending before the Office of Price Administration.*

(1) If permitted by the Office of Price Administration, but not otherwise, a person making application under this Appendix may, after the application is filed and while it is pending, sell, offer to sell and deliver the item that is the subject of the application if the sale, offer to sell, or delivery is made under an agreement with the customer to adjust the price charged to an amount not in excess of the maximum price thereafter established under this section. Such permission may be granted only if necessary to promote distribution or production and if it will not interfere with the purposes of the Emergency Price Control Act of 1942, as amended. The permission may be granted by letter addressed to the applicant, signed by the Price Administrator or by any official of the Office of Price Administration to whom authority to grant such permission has been delegated.

(2) Permission to use adjustable pricing granted under this paragraph may be revoked at any time in the manner in which it was granted. It shall be deemed revoked on the day on which authority to establish a maximum price is granted, or such maximum price is otherwise established pursuant to this section; *Provided*, That with respect to any sale which the applicant is required to make at a price posted or listed with a state or other public authority, he may continue so to sell, offer to sell or deliver the item until the effective date for prices thus posted or listed at the first opportunity after the 4th day (including Sundays and holidays) after the authority applied for is granted, or an applicable maximum price is otherwise established pursuant to this section.

(3) Where permission to use adjustable pricing under this Appendix has been granted, and a special maximum price by authorization is thereafter established in an amount less than that charged, the processor shall immediately refund to his purchasers all amounts received in excess of the special maximum price by authorization so established.

(d) *Contents of application.*

The application shall be by letter, signed by the processor or his authorized agent, and sent in duplicate to the Office of Price Administration, Beverage Section, Washington, D. C., by registered mail, return receipt requested. It shall contain the following:

(1) The processor's name and address, and the name and address of the person signing the application.

(2) A statement that the application is filed under Appendix F of Article III of Maximum Price Regulation No. 445.

(3) A statement in detail of the reasons for his inability to establish a maximum price under other provisions of this Article.

(4) A description in detail of the item which is the subject of the application. Copies of the approved front label and the back label, if any, must be attached to the application. The description shall supply the following information if not disclosed by the labels attached to the application:

(i) Brand name

(ii) Formula.

(iii) Container size or sizes.

(iv) Classification or subclassification of identity.

(v) The name and address of the bottler.

(5) An itemized statement of the processor's actual costs (not in excess of applicable OPA maximum prices) for the item prepared from regularly kept accounts, all taxes to be separately itemized.

(6) Applicants' proposed maximum prices for each container size, f. o. b. bottling plant, stating the address of the bottling plant, the particular classes of customers to which the proposed maximum prices are applicable, and the discounts and allowances applicable.

(7) In any case where the application is made for sales of an item to a new class of customers, the application shall also contain a statement of the maximum prices established for sales to other classes of customers, describing the particular classes, and the Appendix under which such maximum prices were established.

(8) For cordials, liqueurs and packaged alcoholic beverage specialties, the application shall also include a copy of the approved formula on Treasury Department Form 27-B Supplemental or a photostatic copy or other facsimile thereof. Ingredient costs as required under (5) above may be grouped to correspond with the approved formula. The detailed costs of items need not be stated separately where they do not represent a significant part of the total cost.

(9) Any other pertinent information which the processor desires to submit.

(c) *When and how authority is given or denied.*

(1) *Approval of or objection to application.* If within 60 days (including Sundays and holidays) after receipt of the application under this Appendix by the Office of Price Administration, the applicant shall not receive notice by letter from the Office of Price Administration, of objection to the maximum prices proposed in his application, he shall be deemed authorized to establish such maximum prices for sales of the item in the container sizes and to the particular classes of customers described therein; *Provided*, That if within the 60 day period the Office of Price Administration shall by letter request supplemental information with respect to any matter stated in or omitted from the application, that period shall be figured from the date on which the requested supplemental information is received in writing by the Office of Price Administration. The authority so granted may be revoked by the Price Administrator at any time. Upon written request of the applicant received by the Office of Price Administration within 30 days (including Sundays and holidays) after the date of a notice of objection given under this paragraph, the Office of Price Administration will issue a formal order denying authority to establish the maximum prices requested in his application.

(2) *By order or amendment.* The Price Administrator may, at any time, by order or by amendment to this regulation establish maximum prices for sales of any items of any classification of domestic distilled spirits to one or more classes of customers. The maximum prices established by any such order or amendment shall supersede all maximum prices previously authorized under (1) above.

(f) *Compliance with price posting or listing requirements.* Permission to use adjustable pricing and authority to establish maximum prices granted by the Price Administrator pursuant to application under this section, or by order or by amendment to this Article, shall not authorize an applicant to sell or offer for sale an item until after compliance with provisions of any applicable statute, ordinance or regulation requiring the posting or listing of his prices.

APPENDIX G

Adjustment of maximum prices for substitution of certain ingredients

(a) Procedure for adjustment of maximum prices.

(1) Substitution of imported neutral spirits, neutral spirits derived from domestic processing of imported distilled spirits, or imported distilled spirits. The processor shall add to the maximum prices established under Appendices A through F inclusive, the actual amount of the direct cost of importation (as defined in (iv) below), in so event to exceed 50 cents per proof gallon, and the amount of import duty applicable to the quantity of

(i) Imported neutral spirits used as a substitute for the same quantity of domestic neutral spirits thereby displaced in the item;

The processor's maximum price under Appendix A, for sales to wholesalers, for an item of domestic whiskey composed of 50% whiskey and 50% domestic neutral (grain) spirits is \$36.00 per case of quarts. He now desires to substitute neutral case spirits imported from Cuba for the domestic neutral (grain) spirits in the item. The additions for direct cost of importation and customs duty applicable for use of the Cuban neutral spirits must be figured as follows:

Total contents case of quarts...	3.00 wine gallons
Multiply by percentage of neutral spirits.....	X.50%
Proof of item.....	1.5 wine gallons
Quantity of neutral (grain) spirits displaced.....	X.50

Quantity of neutral (grain) spirits displaced..... 1.55 proof gallons

The processor's "direct cost of importation" is 48 cents per proof gallon, and the import duty applicable to imports from Cuba is \$2.00 per proof gallon. The total amount, \$2.48, is applicable to only 1.55 proof gallons of domestic neutral (grain) spirits displaced. Thus, the adjustment is \$3.34 per case of quarts (1.55X\$2.48=\$3.34) and the resulting maximum price is \$39.34 per case of quarts.

The processor's maximum price under Appendix A, for sales to wholesalers, for an item of domestic Anisette cordal made entirely of neutral grain spirits (except for flavoring ingredients) is \$15.00 per case of fifths, 60° proof. The processor imports Mexican gin and processes it in this country to produce neutral spirits. His "direct cost of importation" for the Mexican gin is 45¢ per proof gallon. The import duty paid is \$2.50 per proof gallon. The additions provided in this Appendix must be figured as follows:

Total contents case of fifths...	2.4 wine gallons
Multiply by percentage of neutral spirits.....	X100%
Proof of item.....	2.4 wine gallons
Quantity of neutral grain spirits displaced.....	X.60

Quantity of neutral grain spirits displaced..... 1.44 proof gallons

The total "direct cost of importation" and applicable import duty is \$2.95 per proof gallon. Therefore, the adjustment is \$4.25 per case of fifths (1.44X\$2.95=\$4.25), and the resulting maximum price is \$19.25 per case of fifths.

(2) Substitution of domestic grape spirits, spirits-fruit, spirits-fruit processed, and neutral brandy. The processor shall add to the maximum prices established under Appendices A through F inclusive, the amount of \$4.50 per proof gallon of the products stated above, used as a substitute for the same quantity of domestic neutral grain or case spirits thereby displaced in the item.

(3) Substitution of domestic grape spirits, spirits-fruit, spirits-fruit processed, and neutral brandy. The processor shall add to the maximum prices established under Appendices A through F inclusive, the amount of \$4.50 per proof gallon of the products stated above, used as a substitute for the same quantity of domestic neutral grain or case spirits thereby displaced in the item.

Note: The amount of any permitted increase pursuant to Maximum Price Regulation No. 193 must not be included in a maximum price established under Article III except as is provided in subparagraph (3) below.

(4) Imported distilled spirits of a particular classification and misclassification of identity under applicable United States labeling laws and regulations used as a substitute for the same quantity of domestic neutral spirits or the same quantity of domestic distilled spirits of the same classification and subclassification of identity thereby displaced in the item.

The processor's *conceded March 1918* maximum price under Appendix B, for sales to retailers, for an item of apricot flavored brandy, per case of fifths, 70° proof, is \$24.00. The formula of the item contains 70% by volume of 100° proof domestic brandy, the remaining 30% being natural flavors, fruit juices, other ingredients, and water. The processor imports Portuguese brandy at 100° proof to displace the domestic brandy in the item. His "direct cost of importation" for the Portuguese brandy is \$3.00 per proof gallon. The import duty paid is \$2.50 per proof gallon. He can reflect in his maximum price only \$5.50 per proof gallon for "direct cost of importation." The additions provided in this Appendix must be figured as follows:

Adjustment of maximum prices for substitution of certain ingredients—Continued

(a) Procedure for adjustment of maximum prices.

EXAMPLES

Total contents per case of fifths.	2.4 wine gallons
Multiply by percentage of domestic brandy in the item at 100° proof.....	X70%
Multiply by proof of brandy.....	X1.00

Quantity of domestic brandy displaced..... 1.68 proof gallons

The total of "direct cost of importation" and applicable import duty is \$3.00 per proof gallon. Therefore, the adjustment is \$5.04 per case of fifths (1.68X\$3.00=\$5.04), and the resulting maximum price is \$23.04 per case of fifths.

The processor must compute his "direct cost of importation" as follows:

	Per proof gallon
Cooperage.....	\$0.13
Export tax.....	.03
Freight to port of arrival.....	.145
Loading.....	.15
War risk and marine insurance.....	.015
Consular fees.....	.05
Customs broker fees.....	.08
Loss of merchandise and customs due to leakage and evaporation in shipment to United States.....	.80
Freight from port of arrival to processor's bottling plant.....	.60
"Direct cost of importation".....	\$0.60

In the example above the "direct cost of importation" is greater than \$3.00 per proof gallon. Under this Appendix the processor may add the actual amount of the direct cost of importation, not to exceed \$3.00 per proof gallon. Therefore where the direct cost of importation is greater than \$3.00 per proof gallon, the processor may use only the \$3.00 figure for the purposes of this computation.

The processor's *prescribed uniform maximum price* under Appendix E for "X" brand of blended whiskey, quarts, 93° 25% whiskey 48 months old, 10% whiskey 60 months old, and 65 per cent neutral spirits, is \$27.20 per case to wholesalers and monopoly states. The processor will use spirits-fruit in the item instead of grain neutral spirits. He must figure the amount of the adjustment for each use of spirits-fruit as follows:

Total liquid contents, case of quarts.....	1.814 proof gallons
Percent neutral spirits.....	X.65
Proof of item.....	1.95 wine gallons
Quantity of neutral grain spirits displaced.....	X.63

Neutral spirits displaced..... 1.814 proof gallons

The processor determines the adjusted maximum price as follows:

Neutral spirits displaced.....	1.814
Adjustment per proof gallon.....	X3.55
Adjustment per case of quarts.....	\$1.00
Maximum price from Appendix E.....	27.20
Adjusted maximum price.....	\$29.20

Adjustment of maximum prices for substitution of certain ingredients—Continued

(a) Procedure for adjustment of maximum prices.

(3) Substitution of domestic high wines (manufactured from cane or grain) for domestic neutral spirits. The processor shall add to the maximum prices established under Appendices A through F, inclusive, the amount of the permitted increase for high wines manufactured from cane or grain used as a substitute for the same quantity of domestic neutral spirits thereby displaced in the item as required to be computed by the processor under section 1420.13 (a) (1) (i) of Maximum Price Regulation No. 193.

The processor has determined under Appendix A that his maximum price per case of quarts, 85° proof, formula composed of 20% whiskey 4 years old and 80% neutral spirits, is \$25.00. He no longer uses neutral spirits in the formula but has substituted high wines manufactured from grain. The processor determines the quantity of domestic neutral spirits displaced as follows:

Total liquid contents, case of quarts.....	3.00 wine gallons
Percent neutral spirits.....	X .80%
Prof.....	2.40 wine gallons
	X .85

Quantity of neutral spirits displaced.....

2.04 proof gallons

The processor computes the adjusted maximum price in accordance with section 1420.13 (a) (1) (i) of MPR No. 193, as follows:

	Per proof gallon
Weighted average cost of high wines April 1-June 30, 1942.....	\$0.75
Weighted average cost of neutral spirits January 1-March 31, 1942.....	-.45
Adjustment per proof gallon.....	.30
Quantity of neutral spirits displaced.....	X 2.04
Adjustment per case of quarts.....	.612
Maximum price from Appendix A.....	+25.00
Adjusted maximum price.....	\$25.61

Where 3 proof gallons of imported distilled spirits are processed and 2.8 proof gallons of neutral spirits are derived thereby, the additions provided must be computed on only the exact number of proof gallons displaced in the finished product. Likewise, where 3 proof gallons of spirits fruit processed are processed and 2.8 proof gallons of neutral spirits are derived thereby, the addition provided must be computed on only the exact number of proof gallons displaced in the finished product.

Where a particular quantity of domestic brandy in an item is displaced by a like quantity of imported brandy, the additions provided are applicable. Where, however, the domestic brandy is displaced by an other ingredient, imported or not, or where the addition does not apply. Where domestic neutral spirits are displaced by a like quantity of imported brandy, the additions provided are applicable.

During March 1942 the item contained imported malt whiskey. No addition may be made where the processor continues to use imported malt whiskey as an ingredient in the item.

(b) Rules for establishing maximum prices under Appendix G.

(1) The additions provided in this Appendix can be computed only with respect to the quantity of distilled spirits actually displaced in the item. No allowances are provided for loss in processing or otherwise.

(2) The additions provided for substitution of imported distilled spirits are applicable where an ingredient of an item of domestic distilled spirits is displaced by the same ingredient except that such displaced ingredient is imported, or where domestic neutral spirits are displaced by imported distilled spirits.

(3) The additions provided for substitution of imported distilled spirits are inapplicable where the item as sold or offered for sale during March 1942 contained as an ingredient the same classification of imported distilled spirits.

(c) Reports required to be filed. On or before the date of making the first sale of an item at a maximum price adjusted under this Appendix, the processor shall, by letter to the Office of Price Administration, Beverage Section, Washington, D. C., report the maximum price so established. The letter-report shall contain the following:

- (1) The name and address of the processor filing the report.
- (2) A statement that the report is filed under Appendix G to Article III of MPR 445.
- (3) The brand name, container size and proof of the item which is the subject of the report.
- (4) The date upon which the processor filed OPA Form 635-232-A (brand name report required under Amendment No. 6 to MPR 193) for the base item used for the adjustment made under this Appendix if such item was sold or offered for sale by the processor during March 1942.
- (5) The maximum price for the item which is the subject of the report, and a statement showing the steps (similar to those illustrated by the examples) made by the processor to figure such price, in accordance with the procedures provided in this Appendix. Neither acceptance nor failure to act upon a letter-report filed

under this paragraph shall constitute approval by the Office of Price Administration of the maximum prices so reported.

2. Section 6.3 (a) (4) is added to read as follows:

(4) No person shall pay and no person may receive any compensation whatsoever as a buyer's fee, broker's fee, finder's fee, service charge or similar payment in connection with the purchase and sale of any item of packaged domestic distilled spirits.

3. Section 7.1a is added to read as set forth below, and the headline of section 7.1a is amended by numerical order to the list of sections in section 4.11 of Article IV. Sec. 7.1a. *Changes in case sizes.* In any instance where the case size of an item covered in this regulation is changed to contain a greater (not in excess of a total of 15 wine gallons) or lesser number of individual containers of the same item, the seller shall determine his maximum price per case of the item in the new case size as follows:

(a) Divide the maximum price per case for the item in the customary case size by the number of individual containers customarily packed in such case, and

(b) Multiply the figure so obtained by the number of individual containers packed in the new case size.

4. Section 7.12 (a) (1), (20) and (39) are amended and sections 7.12 (a) (44) through (48) inclusive are added to read as follows:

(1) "Distilled spirits" means (i) the commodities included in classes 2 to 7 inclusive of Article II to Regulations No. 5 (whiskey, brandy, gin, rum, cordials and liqueurs and imitations); and (ii) prepared cocktails, prepared highballs, vodka, bottled eggnog containing distilled spirits and all other prepared alcoholic beverage commodities covered by Article III of Regulations No. 5; and (iii) commodities containing more than 24 percent alcohol by volume but otherwise within the definition of wine.

"Distilled spirits" when used without specific reference to that commodity in packages or in bulk, means both packaged and bulk distilled spirits, and when used without specific reference to that commodity as imported or domestic, means both imported and domestic distilled spirits.

(20) "High proof" and "high wines" made from grapes, fruits or berries shall for the purposes of this regulation be deemed "spirits—fruit processed" as defined in (19) above.

(39) "Current wine" means California grape wine produced entirely or in principal part from grapes of the 1942 crop and sold or offered for sale by a processor prior to March 1, 1944, and also California grape wine produced entirely or in principal part from grapes of the 1943 crop and sold or offered for sale by a processor prior to March 1, 1945; *Provided*, That the term "current wine" shall not include the following:

- (i) California grape wine produced principally from varietal types of grapes;
- (ii) Sparkling and carbonated wines;
- (iii) Vermouth and other flavored wines;
- (iv) Lees wine;
- (v) Spanish type blending sherry.

(44) "Neutral spirits" means distilled spirits distilled from any material at or above 190° proof, whether or not such spirit is subsequently reduced. During the period of the unlimited national emergency proclaimed by the President on May 27, 1941, the term neutral spirit shall also include any spirits distilled at less than 190° proof, which are so distilled, or so treated in the process of distillation, or so refined by other processes after distillation, as to lack the taste, aroma and other characteristics of whiskey, brandy, rum or other potable beverage spirits. However, the term "neutral spirits" as used in this regulation does not include "domestic grape spirits", "neutral brandy", "spirits—fruit", "spirits—fruit processed" or "high proof and high wines made from grapes, fruits, or berries". The term "neutral spirits" does not include "high wines (manufactured from cane or grain)" as defined in (48) below.

(45) "Domestic whiskey containing malt whiskey" means whiskey produced in the continental United States which contains any proportion of imported or domestic malt whiskey or rye malt whiskey; *Provided*, That the label or labels show that malt whiskey or rye malt whiskey is a component part.

(46) "Malt whiskey" means whiskey produced in the continental United States by distillation from a fermented mash of grain of which not less than 51% of the grain is malted barley; also imported malt whiskey produced in conformity with the laws of the country from which it is imported.

(47) "Rye malt whiskey" means whiskey produced in the continental United States by distillation from a fermented mash of grain of which not less than

51% of the grain is malted rye; also imported rye malt whiskey produced in conformity with the laws of the country from which it is imported.

(48) "High wines (manufactured from cane or grain)" means distilled spirits distilled from any material at or above 100° proof and less than 190° proof, manufactured prior to October 8, 1942, and used as a substitute for neutral spirits in accordance with the provisions of paragraph (a) (3) of Appendix G to Article III of this regulation.

5. Section 7.12 (b) (3) is amended to read as follows:

(3) "Wholesaler" means any person (except a monopoly state or primary distributing agent) engaged in the business of buying and selling distilled spirits and/or wine without changing the form thereof, primarily to persons other than consumers, but who, when licensed and permitted by applicable state or local statute or ordinance to so do, may also sell such distilled spirits or wine to consumers.

6. Section 7.6 (b) is amended to read as follows:

(b) The registration and licensing provisions of §§ 1499.15 and 1499.16 of the General Maximum Price Regulation shall be and they are applicable to all sellers, except monopoly states, subject to this regulation.

This amendment shall become effective January 6, 1944.

(56 Stat. 23, 765; Pub. Law 151, 78th Cong.; E.O. 9250, 7 F.R. 7871; E.O. 9328, 8 F.R. 4681)

NOTE: All reporting and record-keeping requirements of this Amendment have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

Issued this 27th day of December 1943.

CHESTER BOWLES, Administrator.

THE CHAIRMAN. Is that all, Mr. Mattice?

MR. MATTICE. Yes, sir.

THE CHAIRMAN. Senator Ferguson?

SENATOR FERGUSON. That is all I have.

THE CHAIRMAN. The committee will rise at this time and meet this afternoon at a quarter after 2. We will meet in the Judiciary Committee room. The witnesses will come to the Judiciary Committee room instead of this caucus room.

(Whereupon, at 12:15 p. m., a recess was taken until 2:15 p. m. of the same day.)

AFTERNOON SESSION

MR. MATTICE. Will you give the reporter your name again please, sir?

SENATOR MURDOCK. I was not here this morning when the witness testified, and for my benefit and the reporter's benefit, will you please state your name?

MR. SANDERSON. Wilson D. Sanderson.

SENATOR MURDOCK. And your office?

MR. SANDERSON. Head of the Beverage Administration of the Food Price Division of Office of Price Administration.

SENATOR MURDOCK. What does the Beverage Section include?

MR. SANDERSON. Distilled spirits, wines, beers, soft drinks, and ice.

SENATOR MURDOCK. I think you had testified this morning?

MR. SANDERSON. Yes, sir.

SENATOR MURDOCK. You may continue now in your own way and be interrogated by the attorney for the committee as he sees fit.

TESTIMONY OF WILSON D. SANDERSON—Resumed

MR. MATTICE. Mr. Sanderson, you were still discussing the December 1943 order fixing dollars and cents prices on alcoholic beverages.

MR. SANDERSON. Yes, sir.

MR. MATTICE. And you had not completed what you had to say on that when the chairman interrupted you, asking a question. You can go on from there.

MR. SANDERSON. As far as I can recall, I had answered all the questions.

MR. MATTICE. All right.

MR. SANDERSON. Whether all had been asked that the committee wished to ask in connection with that particular amendment I don't recall.

MR. MATTICE. Let's review for just a minute for the benefit of Senator Murdock, who was not present this morning. You were outlining how, first of all, the Office of Price Administration dealt with the matter of prices of alcoholic beverages established a so-called ceiling which was based upon the price being charged by wholesalers and retailers on a certain date previous to that time, which date was that?

MR. SANDERSON. March 1942.

MR. MATTICE. And operated under that system until when?

MR. SANDERSON. So far as wholesalers and retailers are concerned, they operated under that system until August of 1943.

MR. MATTICE. Then in August 1943, order number. —

MR. SANDERSON. Maximum Price Regulation 445.

MR. MATTICE. Maximum Price Regulation 445 was promulgated.

MR. SANDERSON. Article 5 of which established specific percentage mark-ups over net cost for establishing maximum prices for wholesalers and retailers.

I commented in the testimony at that time that these mark-ups provided largely for uniformity of pricing without materially affecting the level of prices, but did provide for the same price for each wholesaler and each retailer on the same item, whereas before, under the March system, the same item might have sold by two separate people at different prices.

The result of our uniform mark-up regulation was to provide uniformity. That, of course, assisted in the enforcement and the checking of prices to determine that they were correct maximum prices.

SENATOR MURDOCK. At that time had you established ceilings on the retail sales?

MR. SANDERSON. Not in dollars and cents. We had established a ceiling in March of 1942 by the issuance of the freeze order, which froze all prices at a level of the March 1942 selling price.

SENATOR MURDOCK. You mean the retail price.

MR. SANDERSON. Each retailer was frozen at the highest price he charged for the item during March 1942 the same principle as was applied to the grocery store and the hardware store and all other sellers.

SENATOR MURDOCK. And there has been no subsequent rise in the price of whisky, let us say, from that time until now?

MR. SANDERSON. The same item that was sold from the store in March 1942 should be only slightly affected, except for the addition of the Federal excise tax which was imposed on November 1, 1942.

SENATOR FERGUSON. What was that tax per gallon?

MR. SANDERSON. The increase was \$2 per proof gallon. The effect of that would be \$6 a case, a case of quarters, at 100 proof, or \$4.80

on a case of fifths, at 100 proof, the retail increase therefore being 35 cents and 50 cents per bottle. That was the increased tax only.

So that generally speaking the same brand selling in a retail store in March of 1942 at, let us say, \$3 per bottle should have been increased in price approximately from 35 cents to 50 cents a bottle, depending on the size, and the proof, as a result of the tax.

Senator MURDOCK. Can you give us the price in 1942, say, on a fifth of Old Taylor?

Mr. SANDERSON. The distiller's posted March price for the brand was \$25.65 per case of fifths, f. o. b. the distillery at Louisville, Ky.

To that amount would have been added the customary mark-up of the wholesaler and the retailer.

Those mark-ups varied substantially, of course, according to the community. In the larger centers, New York, Chicago, Los Angeles and similar centers, there might have been a price war or keen competition, which produced a low mark-up at wholesale and retail, and in the country districts the mark-ups might have been very much higher. There was no uniformity.

A fifth of Old Taylor might have sold at a substantial—

Senator MURDOCK. What I would like to know is what a fifth of Old Taylor sold at in Washington, D. C., in March of 1942.

Mr. SANDERSON. I do not have the figure here. It could be determined.

Our prices in the national office are all on the basis of the processor's price, and not the retail selling price. Obviously there is a different State tax in each State. Consequently there is a different selling price in every State.

Senator MURDOCK. I understand that, but the thing I am interested in, if you could furnish the committee with the information, is the retail sales price in the District of Columbia, say, of Old Taylor, Four Roses, Canadian Club, and one or two others as of that date, and then give us the price as of today of those same brands of whisky.

Can you do that?

Mr. SANDERSON. Not from any information I have with me, Senator. I can secure it for you.

Senator MURDOCK. I understand that you haven't that information but that you can and will get it and supply it for the record.

Mr. SANDERSON. And I will say in passing that the prices might show a substantial range, and the same items would be sold in a dozen stores at different prices, because there was no uniform market.

Senator MURDOCK. You mean right here in the District?

Mr. SANDERSON. Right here in Washington.

Senator FERGUSON. What method have you of checking on the prices? Suppose we take A, B, C stores. A sells at one price and B at another, and C at another. How does the public know what the price should be?

Mr. SANDERSON. Up until this Regulation No. 445 in August, the public would have had no way of knowing except for the posting or price information given at that individual retailer's.

After August 27, 1943, when this regulation was out, the mark-up was uniform for all similar sellers. All retailers and all wholesalers had the same mark-up.

Consequently with a uniform price at the manufacturing level, aside from a small variation in freight rates and the difference in

State tax, the wholesale and retail selling price of Old Taylor or any other given item will be within a very few cents of each other in the same community.

Senator FERGUSON. Why take Old Taylor?

Senator MURDOCK. I think that is my fault, Senator. I suggested the brand before you came in.

Senator FERGUSON. Well, that's what you have taken. In A, B, and C stores today, it should be the same?

Mr. SANDERSON. The maximum price is the same.

Senator FERGUSON. We discovered this morning that maximum means minimum in most of these cases.

Mr. SANDERSON. That is generally the case with whisky.

Senator FERGUSON. So there is no competition and the price would be the same in all three stores?

Mr. SANDERSON. That is the question. Incidentally, to answer the first question, how can the public tell the District office has compiled these prices? They come to our office and secure these price filings, which all the manufacturers have filed with us, giving the March price. They add the District tax, the freight, and the mark-ups, and are then able to arrive at the uniform price.

That is not a legal ceiling for anybody, because each man must compile his legal ceiling under the terms of the regulation, but within a range of 2 or 3 cents that list is the maximum price that can be charged for Old Taylor.

This is true of many of the regional and district offices but the national office has not compiled such lists.

When you see an advertisement in the papers that Zilch's brand—the maximum O. P. A. ceiling price in this locality on that brand is \$3 or whatever the figure is, it has been compiled in that way, and that is the price so computed under the regulation, for sale in the particular locality.

You might step across the State line and that would not be true because of the difference in State tax.

If I may repeat for the benefit of the committee, we have progressed very substantially in the last, let us say, 3 to 4 months, in that regard. We have substantial cooperation from the industry in assisting O. P. A. in publicizing the ceiling prices of established brands.

In many cases, the O. P. A. has called meetings of wholesalers and retailers and we have gotten together and compiled the lists just as we have it in the District. These are posted in retail stores.

We find retailers are cooperating substantially in posting that information, so that here in the District almost any consumer in almost any retail store can find a list, published by the District office of O. P. A., which will note the ceiling prices for a large number of well-known brands that have been the market for some time.

Now, the difficulty of that is that it is impossible to keep up that list with every new brand that appears.

Senator FERGUSON. Now, what have you done with relation to the 3,000 new brands? Are most of them continuing since your new order?

Mr. SANDERSON. We believe a substantial number of them will not be continued. The new order just being out and effective January 6, we have not received the new postings, but when the new postings are available, which will be approximately within 30 days,

we will then be in a position to furnish the district offices some more information on the ceiling prices of new brands and we feel then that this present procedure can be elaborated in many communities so that while it may not be possible to have an up-to-the-minute list, it will certainly be within a reasonable time, and by the fact that we don't expect nearly so many new brands, that we will have reasonably adequate up-to-the-minute price information available to the public in any store as to practically any brand.

We feel from the enforcement standpoint that that will be a material help and benefit to the consumer. It will not mean that he can buy the brand—it may not be available—but the price will be there.

Senator MURDOCK. Do you attribute the rise in price from March 1942 to the present time largely to the additional tax?

Mr. SANDERSON. We attribute it entirely to the additional tax at the processor level; that is, the price to the wholesaler, because there has been no mark-up.

Senator MURDOCK. What I am referring to is the price to the retailer. I think that is the price people are interested in right now.

Mr. SANDERSON. On the same item. You are comparing the item sold in March and the present item sold today, and the increase in price is due to two factors: (1) The tax, and (2) the possibility that within the community the setting of this uniform mark-up may have slightly changed the ceiling price either up or down.

But there are many communities in which the application of these percentage mark-ups resulted in lowering prices. There are others in which, as I mentioned before, some of the larger markets, where there are very competitive situations, where the uniform mark-up may have slightly increased prices.

Those are the only two factors that should have changed the price from March 1942 on a national brand.

Senator FERGUSON. When you talk about retail, do you mean by the glass?

Mr. SANDERSON. No, sir.

Senator FERGUSON. You mean in the store?

Mr. SANDERSON. Package sales. We do not, in our regulation, control the sale by the drink.

Senator FERGUSON. So they can serve any amount and charge any price they desire?

Mr. SANDERSON. No, sir.

Senator FERGUSON. So far as you are concerned.

Mr. SANDERSON. Only because the handling of that particular sale is not under the immediate jurisdiction of the Beverage Section.

It is, however, controlled by O. P. A., and it is controlled by the application of the March price on the price of the drink and the quantity served being substantially the same. When I use the word "substantially" I mean that our regulation would, of course, require the exact serving of the exact number of fluid ounces at the exact price.

When the tax addition came about, it was impossible to collect the tax in a 1½-cent or 2½-cent figure per drink. Consequently the O. P. A. permitted the server of distilled spirits by the drink to modify the quantity sufficiently to make up the difference in the tax.

In other words, the

Senator FERGUSON. In other words, he could take 1½ cents worth out.

Mr. SANDERSON. He could take 1½ cents worth out.

Senator FERGUSON. How were you going to watch him if he took out 3 cents' worth?

Mr. SANDERSON. I wish we knew. We realized it was a matter that was impossible of accurate check.

Senator FERGUSON. But your accurate prices, by glass or drink, are fixed, and they should not be any higher except for this cent or 2 cents' worth of liquor, between now and March 1942?

Mr. SANDERSON. Yes; provided—

Senator FERGUSON. Do you really think that has been kept?

Mr. SANDERSON. Provided the same liquor is served.

Senator FERGUSON. The same liquor; yes.

Mr. SANDERSON. Let me explain that we know they don't serve the same liquor. I mean, during March 1942—

Senator FERGUSON. What do you mean by "they don't serve the same liquor"?

Mr. SANDERSON. The same brand.

Senator FERGUSON. Why don't they serve the same brand?

Mr. SANDERSON. In some cases, probably it is not available.

Senator FERGUSON. Then, can they charge more for a new brand?

Mr. SANDERSON. If they charged more in March 1942. Very often each dispenser had different prices for different brands and different types. If he can't serve one type he serves the other.

That may account, and it does account in many cases, we know, for the fact that there are not very many 15- and 25-cent bar whisky drinks left.

Senator MURDOCK. Have there ever been such drinks under the new regime—I mean, since we got liquor back? I never heard tell of any such prices as that.

Mr. SANDERSON. We have letters that talk about the 10- and 15-cent drink of whisky. It sounds like something from another world, but apparently it did exist in some communities.

Senator MURDOCK. Even before 1942?

Mr. SANDERSON. Even before 1942.

Senator FERGUSON. And they are enforcing those same prices.

Mr. SANDERSON. If the same type of whisky is available, of course, they have to charge the same price. Practically, as I think I have intimated, very often those whiskies are not available and the price now charged is the price charged for the higher priced drink.

Senator FERGUSON. But that makes it so complicated for the buying public—how are they going to keep track of this? How can you keep from a black market with all this variation of price? You can't, can you?

Mr. SANDERSON. Well, we feel the black market is a very usual accompaniment—

Senator FERGUSON. You tell the public not to go into the black market and buy. With all these complications, how are you going to have the public know when they are violating the black market for a retail drink?

Mr. SANDERSON. We believe, as far as the packaged liquor is concerned, that the publicity now given to selling prices is such that we have a very good instrument against the black market as far as our prices are concerned. We certainly do not feel that an item that is as scarce as distilled spirits in general are, can be kept out of a black

market by any mere publicity of prices. The black market results from other factors than our price control.

Senator FERGUSON. Do you think it possible to prevent a black market in liquor now?

Mr. SANDERSON. I feel that it is in the same category as meat and other items in which a shortage—

Senator FERGUSON. Do you think it is as well controlled as meat?

Mr. SANDERSON. I wouldn't want to say that it is. I think we have too many outlets and too many possibilities for black-market operation.

The present level of prices is such that perhaps the temptation to indulge in a black market is greater than it would be in a commodity like meat. We are frankly faced with the situation that there is a black market. Insofar as the goods that are in the legitimate channels are concerned, the cooperation of all branches of the industry with O. P. A., we feel, has kept most of the distilled spirits that are in legitimate trade, on reasonably the legal prices.

Senator FERGUSON. How much would you say now is legitimate and illegitimate? Have you any idea what the percentage is?

Mr. SANDERSON. I have no idea, Senator. The United States has 17 monopoly States, as you know, 3 dry States, and 28 open States, plus the District of Columbia. Approximately, then, one-third of the country is under State control, handled through State stores. We have no idea whether there is any difference in the operations in those States as compared with the open States. We have no figures from any source to indicate the amount of sales in the dry States.

Senator FERGUSON. How large a force have you on enforcement of prices?

Mr. SANDERSON. Mr. Epstein, of the Enforcement Division, is here and can give you a better reply to that.

We have no connection with enforcement. The O. P. A. has 8 regional offices for the continental United States, and approximately 70 district offices.

Mr. MATTICE. Mr. Sanderson, you spoke of a shortage in liquor which exists. I take it you assume that there is a shortage. Do you know that there is? We have heard a lot about it.

Mr. SANDERSON. I have a general knowledge. My reference to the word "shortage" referred to the amount available in distributive channels as compared to consumption.

Mr. MATTICE. By "distributive channels," do you limit that to retailers, or do you include wholesalers?

Mr. SANDERSON. Wholesalers and retailers and the State stores in monopoly States.

Mr. MATTICE. Have you any figures on how much exists in the hands of wholesalers and retailers and State stores?

Mr. SANDERSON. No, sir; and my use of the word "shortage" is relative to the apparent demand.

Mr. MATTICE. Has it ever occurred to you that the alleged shortage we have heard about and read about, may be an artificial shortage?

Mr. SANDERSON. I admitted this morning in the testimony that it is an artificial shortage to the extent that it is a rationed delivery of a certain percentage of previous deliveries from the available stocks. To that extent, inasmuch as the amount released for distribution is controlled, it is an artificial shortage.

Mr. MATTICE. When you speak of existing stocks, you have in mind only that stock which is in bonded warehouse and has not been tax paid and taken out, or you include also what is in the hands of wholesalers and retailers and others, individual purchasers, who may have stocked up? Do you have all those in mind?

Mr. SANDERSON. What is in the hands of the individual purchaser and is stocked in the cellar is out of distribution definitely and will certainly not appear again.

Mr. MATTICE. That is true.

Mr. SANDERSON. And while we have no figures on the amount in the hands of wholesalers and retailers generally, we are led to believe by our occasional spot checks that the amount is at a minimum, very small indeed.

Mr. MATTICE. In the hands of retailers, for instance?

Mr. SANDERSON. Both retailers and wholesalers.

Mr. MATTICE. We saw in the papers recently where either the enforcement agency of your office or the Alcoholic Tax Unit—I am not certain as to which organization it was—conducted some raids in Baltimore and in several retail establishments which they searched, they found thousands of bottles of whisky, stored away out of sight. Do you remember reading about that?

Mr. SANDERSON. Yes, I read about that.

Mr. MATTICE. Assuming that is substantially true the country over, that would add up to a pretty good-sized stock in the hands of retailers, would it not?

Mr. SANDERSON. If it were generally true.

Mr. MATTICE. And probably a much larger stock in the hands of retailers than normally would be found in the hands of retailers, wouldn't you think?

Mr. SANDERSON. It is possible. The retailers' stocks are apt to be—

Senator FERGUSON. They loaded up just before the tax went on a year ago?

Mr. SANDERSON. In all probability.

Senator FERGUSON. And do you add on the tax now?

Mr. SANDERSON. Oh, no.

Senator FERGUSON. How do you keep them from it?

Mr. SANDERSON. The tax is added only after the tax takes effect and is paid.

Senator FERGUSON. He stated and you agreed that they stocked up—

Mr. SANDERSON. That was for the November 1, 1942, taxes.

Senator FERGUSON. If they bought the liquor before that date, are they allowed now if they sell it to add the tax?

Mr. SANDERSON. They have paid the tax.

Mr. MATTICE. They bought it before the tax went on.

Senator FERGUSON. Does your price allow them to add that tax to all liquor sold?

Mr. SANDERSON. The tax is paid on a floor tax on all inventory.

Senator FERGUSON. Both wholesale and retail?

Mr. SANDERSON. Stocking up in advance of the tax gives no relief from the payment of the tax.

Senator FERGUSON. Then you want to correct the answer to Mr. Mattice that the tax is paid on all that liquor, whether it was in his warehouse before or after?

Mr. SANDERSON. That is right.

Senator FERGUSON. Did you take scarcity into account when you placed the prices on liquor?

Mr. SANDERSON. No, sir.

Senator FERGUSON. You have never considered scarcity?

Mr. SANDERSON. Not as a direct factor, because our—

Senator FERGUSON. Well, indirectly, how did you consider scarcity?

Mr. SANDERSON. Scarcity is not a factor in determining prices.

Senator FERGUSON. Then, as I understand it, it had nothing to do with the price?

Mr. SANDERSON. That is right.

Senator FERGUSON. And as far as you are concerned now, the policy will be that it will have nothing to do with the price?

Mr. SANDERSON. Unless there is a definite change in the policy.

Senator FERGUSON. Which is not in sight now?

Mr. SANDERSON. Not in sight now.

Senator FERGUSON. Then, as I understand it, outside of the retailers in Baltimore holding this liquor back to feed it out into a black market, they can never hope to benefit. They might as well sell it today and get their profit and it will be the same as if they sold it on any other day?

Mr. SANDERSON. As far as the legal ceiling is concerned.

Senator FERGUSON. Doesn't that lead to the conclusion that there is a great black market when they keep it off their shelves and are holding it?

Mr. SANDERSON. Not necessarily so, because where there is a voluntary industry rationing of any item and a—

Senator FERGUSON. Is it voluntary for the retailers? Do you think there is a voluntary rationing as far as the retailer is concerned?

Mr. SANDERSON. Definitely.

Senator FERGUSON. Down in the retailers?

Mr. SANDERSON. To the retailer.

Senator FERGUSON. I mean the retailer. That is where I understand the liquor is stored.

Mr. SANDERSON. Without attempting to speak for what the retailer may have in mind, when he knows that the quantity available for distribution is limited, that the processor will probably only deliver so much during the year and the wholesaler will only receive his due share of that, and the wholesaler will then ration that according to the retailer's purchases, the retailer who is fortunate enough to have laid in before rationing took effect, a substantial stock, would be in the same position of rationing voluntarily his stock to the trade as the rest of the industry is, and he might have the same considerations back of it.

It is not a question of holding for price, but a question of availability of stock to sell.

Senator MURDOCK. If I may interrupt, certainly it is also a question of holding back as much as possible the article for which there is the greatest demand in order to keep the customer coming in.

Senator FERGUSON. And to sell him wine. Is that a violation of the ceiling?

Senator MURDOCK. Not selling wine. He holds it back with the idea of a kind of leader, just like in certain grocery stores so the customers keep coming in in order to get the highly rationed articles, and while in there they will get rid of articles to them, such as gin, brandy, rum, and wine.

Mr. SANDERSON. It sounds like good merchandising if done legally.

Senator MURDOCK. There is no question but what it is legal. No retailer has to sell his dozen fifths of Old Taylor or any other popular brand of whisky to one customer. He can ration it out, a bottle to each customer that comes in, rather than letting one get away with a dozen quarts.

If you have information on that, isn't that exactly what is happening in Washington today?

Mr. SANDERSON. We have no direct information, Senator. We would believe that is one of the many possible uses that might be made of having a stock, let us say, stored up against the future.

Senator MURDOCK. But why would anybody want to hold a stock of whisky if he could convert it into cash and take his profit and be through with it? He can't increase his profit any under the system of price fixing. So then it seems to me only good business, unless the other factor of good merchandising comes into the picture, to let it go and get his money and take his profit.

Mr. SANDERSON. If he were planning to close out his business, that would probably be a good answer. He probably wants to keep going during the emergency period, and he may foresee that deliveries over the next 6 months or a year may be limited. He may be now receiving only a part of a case, and before he was able to get 5- or 10-case lots.

If he has a shortage and wants to parcel it out, that may seem to be good merchandising.

Senator MURDOCK. May I take you back a minute to the tax question. You say all this whisky has been taxed, the tax is paid.

Mr. SANDERSON. That is right.

Senator MURDOCK. Now, let's go back to—when was the first increase in tax imposed?

Mr. SANDERSON. December 1942.

Senator MURDOCK. And prior to that?

Mr. SANDERSON. October 1941. No price control then.

Senator MURDOCK. Let's go back to November 1942. I think your statement was that all the retailers stocked up at that time to avoid the additional tax.

Mr. SANDERSON. Not to avoid the additional tax. The consumer is the one who can avoid the additional tax by buying before the tax goes into effect.

Senator MURDOCK. There is no way for the retailer to do that?

Mr. SANDERSON. Only to sell before the tax takes effect.

Senator MURDOCK. Suppose he bought and stocked up all the available storage that he had prior to the imposition of the tax, or prior to the effective date of the tax. Then would he merely have to pay the tax after the date that the tax became effective on the stock he had on hand?

Mr. SANDERSON. The tax at midnight on November 1 was assessed on every bottle in his stock. The actual payment is prorated over a

period under a Treasury Department regulation. And starting on November 1, 1942, he can add the tax to his selling price.

The reason the retailer stocked up in October was, however, not to carry it over, but to sell it out prior to midnight, October 31, because the consumer could buy it then 35 to 50 cents a bottle less.

Senator MUDDOCK. But there was no advantage to the retailer so far as the tax was concerned?

Mr. SANDERSON. That is correct.

Senator FERGUSON. Did Mr. Brownlee have anything to do with placing the price on these liquors?

Mr. SANDERSON. Mr. Brownlee is Deputy Administrator in charge of prices for the Office of Price Administration, and in the course of his official position reviews all price actions taken by any department in the Office.

Mr. Brownlee is here and I would prefer to have him say what—
Senator FERGUSON. Do you know whether he had anything to do with prices?

Mr. SANDERSON. Certain portions of the regulation were signed by Mr. Brownlee as part of his office as Deputy Administrator, and other parts were not.

Senator FERGUSON. Did he place the price on the liquor?

Mr. SANDERSON. Insofar as any official of the Office of Price Administration can be said to place the prices.

He signed certain portions of this regulation as one of the officials of the Office.

Senator FERGUSON. Who has the ultimate say in the fixing of prices?

Mr. SANDERSON. The various price administrators have the ultimate say.

Senator FERGUSON. Did you, in the liquor branch, have it to say?

Mr. SANDERSON. We have.

Senator FERGUSON. I am trying to get at how you operate, how you fix the price.

Mr. SANDERSON. The gathering of facts, the determination of the advisability of issuing a regulation, is in general the responsibility of the Beverage Section.

The determination of policy as to whether such regulation should be passed and the nature of it, is the determination of the officials of the Office at a higher level than ours, the final determination, of course, being with the Administrator.

When we recommend that certain action be taken, if it is within a previously cleared price policy, we proceed to prepare the regulation. If it involves a question of policy, we present that policy for clearance through the various officials before we take the action.

Senator FERGUSON. Does Mr. Brownlee pass on the question of policy?

Mr. SANDERSON. Mr. Brownlee is the head of the Price Division.

Senator FERGUSON. Did he pass on this policy?

Mr. SANDERSON. The policy of determining—

Senator FERGUSON. Yes.

Mr. SANDERSON. It would be my opinion that Mr. Brownlee personally did not participate in any direct determination of the policy relating to the prices established in this regulation.

Senator FERGUSON. What I meant to get at is this: Who decided that you would fix prices on all new brands, but you would allow old brands to retain their ceiling prices as of March 1, 1942?

Mr. SANDERSON. Well, I should say that was a joint determination by the administrators.

Senator FERGUSON. Well, who did it?

Mr. SANDERSON. By Mr. Henderson during his term of office.

Senator FERGUSON. This was not during Mr. Henderson's term of office, was it?

Mr. SANDERSON. You asked as to the whole policy.

Senator FERGUSON. That policy to put the one price for those brands that were sold as of that date, yet allowed the retail and wholesale prices to exist, and then you made a new price on all new brands since that date.

Mr. SANDERSON. That is the customary, long-standing general practice. We have attempted to maintain the status quo of March 1942, as far as possible, not to disturb the method of business in March 1942, so far as practical to maintain the dollars and cents mark-up allowed to each seller in March 1942. And we drew a line and said, "There is one group of commodities, one list of items, that we will endeavor to keep so that the prices won't go up. We will keep them as they are."

Senator FERGUSON. Don't you consider the cost of doing business in prices?

Mr. SANDERSON. Yes, sir.

Senator FERGUSON. Then, if a man is rationing himself and he is only selling a few compared to his old business, and he is paying the same rent and all, do you allow him to charge extra?

Mr. SANDERSON. No, sir.

Senator FERGUSON. Then volume doesn't enter into it?

Mr. SANDERSON. No, sir; volume does not enter into it. We are forced to consider that there is such a question as volume, but my previous answer was that—

Senator FERGUSON. Scarcity had nothing to do with it.

Mr. SANDERSON. Scarcity does not determine the basic price, and we have not made allowances for the decrease in volume in this matter of price control on distilled spirits.

Senator KILGORE. When was it that we stopped the manufacture of beverage alcohol?

Mr. SANDERSON. October 8, 1942.

Senator KILGORE. When was it we fixed this date? What was the date on which you went back and determined that in March 1942, prices would be frozen?

Mr. SANDERSON. April 28, 1942, was the date the General Maximum Price Regulation was issued.

That set the month of March 1942, as the freeze period for all items not then under price control.

Senator KILGORE. And in April you fixed a day in March as the determining date on which prices would freeze?

Mr. SANDERSON. We fixed the month of March as the date.

Senator KILGORE. And later in the same year they stopped the manufacture of alcohol for beverage purposes and made all plants convert into industrial alcohol. Is that right?

Mr. SANDERSON. That is correct.

Senator KILGORE. All the liquor that has come on the market since that time has been liquor manufactured before March 1, 1942?

Mr. SANDERSON. Very little whisky was made after March 1942; the original W. P. B. order restricting the production of beverages was made approximately the 4th of March 1942.

A large number of distillers voluntarily went on to a 100-alcohol basis. There was some production between March 1942, and October 8, 1942, but relatively small.

Senator KILGORE. But that is so green it is not on the market, that production between those dates?

Mr. SANDERSON. Green is relative, of course.

Senator KILGORE. I am asking you: Has any of that gone into beverage liquor to the consumer?

Mr. SANDERSON. I wouldn't know because there is no restriction against marketing of whisky at 6 months of age. It is not customary. There may be some, but—

Senator KILGORE. But, as you say, there was very little liquor manufactured between March and the date—

Mr. SANDERSON. October 8, 1942.

Senator KILGORE. All right. So that the same old liquor that was in the barrels on the 1st day of March 1942, is the liquor that has now attained some 5,000 extra and additional names and labels; isn't it?

Mr. SANDERSON. Part of it has been offered under new labels, of course.

Senator KILGORE. Isn't it a fact that there have been about 5,000 new labels coming in since that time? Or am I wrong in the figure?

Mr. MATTICE. Three thousand.

Senator KILGORE. And it is just the same liquor as made before that; isn't it?

Mr. SANDERSON. It is—

Senator KILGORE. Answer the question. Isn't the stuff in the bottle that bears this new label, the same stuff that had some other label on it probably prior to that date?

Mr. SANDERSON. It must of necessity be the same whisky, because no whisky has been made. It may not be the same commodity because it may be a blend with other spirits, which were not used in March 1942, but the whisky part of the item must necessarily be the same whisky because no appreciable amount of whisky has been made since March 1942.

Senator KILGORE. And if anything, it is not as good a grade because it has been blended down by the introduction of more neutral spirit blends, and things of that kind, in order to increase the quantity of bottled goods.

Mr. SANDERSON. That is a matter of taste.

Senator KILGORE. Wait a minute. Well, has it improved? Has it been an improvement to put this neutral spirits and water in it?

Mr. SANDERSON. That again is a matter of taste. One can't answer which is the better, a sweet orange or a sour orange, because it depends on which you like.

One can't answer whether a full, heavy-bodied straight whisky is better than a blend because it depends on which you like better, and we, in our pricing, make no comparisons as to quality in stating that

any specific blend or straight or blend of straights or anything else, is better than the other, because we appreciate that is purely a matter of consumer taste.

Senator KILGORE. Well, now, let's get an analogy up here. We will say that I have been manufacturing a shirt to sell for \$1.25 as of March 1942, and some other fellow has been making a shirt that, due to better workmanship and that sort of thing, although the cloth would measure to about the same number of threads, is the same thing and would sell for \$2. If I take his labels and put on my \$1.25 shirt, that would be a violation of law, to get \$2 out of them?

Mr. SANDERSON. Yes; if you are stealing his \$1.25.

Senator KILGORE. I take the labels off my shirt, and put his labels on them. Is that right?

Mr. SANDERSON. That would be the equivalent of misbranding I would say.

Senator KILGORE. All right. I take the labels off my shirts and put an unknown label on and say that inasmuch as the quality of my shirts is as good as his I am entitled to \$2 because I have a new label.

Mr. SANDERSON. That isn't what our pricing system is worked on.

Senator KILGORE. Isn't that the same as this liquor-pricing proposition?

Mr. SANDERSON. No, sir.

Senator KILGORE. Retailers have made statements here to this effect: That all 5-year-old whisky by virtue of labels, new labels, low-priced qualities of 4- or 5-year bonded whisky, have been by virtue of an entirely new brand or label, able to raise it up to the highest-priced brand of the same age and proof, just by the printing of a new label, and that is what they have been doing and that is the purpose of getting new labels, and abandoning the old labels, to bring it up to Old Granddad and Old Forester, and things of that kind.

Mr. SANDERSON. To put it mildly, that is an exaggeration of the situation. Some fellows have attempted that thing, to use the Old Granddad and the Old Taylor price instead of Zilch's. It is not provided in our regulations at all, and any such pricing is a violation, and in many cases our enforcement people have taken action against such improper pricing.

Senator KILGORE. Let's make a supposition that a certain company has been operating under the brand of "Joe Doakes' Favorite Bonded Whisky," and they have quite a stock of Joe Doakes' Favorite Bonded Whisky in the warehouse. By changing their corporate name and getting a new label they raise it to the price of Old Granddad. Has that been going on?

Mr. SANDERSON. It may have gone on. It is not in accordance with anything we have here.

In the first place, to change the corporate name carries with it the ceiling of the old brand.

Senator KILGORE. A new bottle comes in with a new brand of whisky and says it is 100-proof 5-year-old bourbon whisky. Isn't it a fact then that it is automatically fixed at the price of the best grade of 5-year-old?

Mr. SANDERSON. No, sir.

Senator KILGORE. How do you fix it then?

Senator MURDOCK. What are the factors that go into the establishment of the price by you, if you are the one that establishes it? That

ought to be a simple question, to give us the factors you consider in the establishment of the price.

Mr. SANDERSON. There are two questions here in one.

In the first place, What happened before this new regulation? This establishes a flat price—

Senator KILGORE. When did that new regulation come in?

Mr. SANDERSON. Effective January 6, 1944.

Senator FERGUSON. Give them both.

Mr. SANDERSON. Well, let me explain the first system which was in existence between March of 1942 and January 1944.

Pricing then was done by comparing with the same item or the nearest item to it sold by the particular seller. So if you were selling Joe Doakes' 80-proof 4-year-old whisky and you decided to come out with Joe Zilch's 80-proof—

Senator FERGUSON. Make it 100.

Senator KILGORE. Let's get good whisky.

Mr. SANDERSON. All right. You decide to go out with Joe Zilch's also 100 proof. You have a direct comparison with the first brand, and have to use the former price.

Senator FERGUSON. But he changed the proof too.

Senator KILGORE. I changed the corporate holding.

Mr. SANDERSON. If you change the corporate holding, of course, in acquiring the assets of the previous company, you acquired the ceilings.

If you changed the proof, you have a new item of whisky. If you changed it from 100 down to 90, and you had no 90-proof whisky or anything very near it, then you had to go to the most closely competitive seller of the item, which was the 90-proof whisky.

And by the most closely competitive seller, you had to take the nearest seller to the same type of trade in the same locality and in approximately the same manner, and on the same basis, taking into consideration whether you were a national or not a national advertiser, whether you were a local wholesaler or a national wholesaler.

Senator FERGUSON. Do I understand if you were a national advertiser you could charge a higher price?

Mr. SANDERSON. The national advertised brands had possibly in certain cases, a higher level of prices.

Senator FERGUSON. All right. But you said if you were a national advertiser you could go into that bracket and charge a higher price for that same liquor, whether you were advertising that brand or not.

Mr. SANDERSON. I didn't say that.

Senator FERGUSON. What did you say?

Mr. SANDERSON. I said, if the same factors were present in the two brands, if I were a national advertiser and intend to nationally advertise this brand, I would use the competitive price—

Senator FERGUSON. Then you could charge as a national advertiser and put that in the price?

Mr. SANDERSON. Only if I were carrying on the same national advertising.

Senator FERGUSON. Then the public are paying the advertising bills directly.

Mr. SANDERSON. The public are continuing to pay them; they always have.

Senator FERGUSON. Directly, because of price fixing by the O. P. A.

Mr. SANDERSON. No; because of a customary practice in the industry.

As a rule the nationally advertised brands have established themselves at a higher price level. Insofar as any nationally advertised commodity on the market may be said to be higher priced, insofar as the public pays for the advertising, that statement would be true.

Senator KILGORE. Let's get into the blending now. An A, a rectifier, has been putting out a blend of 30 percent bonded whisky and 70 percent neutral spirits and water. We will say it has been selling for \$1.50 a fifth, or a quart.

He has to buy from a bonded warehouse, doesn't he, his base whisky?

Mr. SANDERSON. A broker or distiller.

Senator KILGORE. A distiller. He decides he is not making enough money on that so he incorporates B, and B come out as an entirely new rectifier. He produces a 30-percent whisky base, 70-percent neutral spirits, and puts out a new brand. The stockholders of A own B also. Now, how are you going to determine B's new brand, the price of it?

Mr. SANDERSON. By the price of A's.

Senator KILGORE. How?

Senator FERGUSON. He has no connection, so far as you are concerned.

Mr. SANDERSON. The most closely competitive seller of the same item.

Senator KILGORE. Do you go back to find where A got his whisky?

Mr. SANDERSON. We go to the selling price.

Senator KILGORE. He is a newcomer in the field, and his price is fairly new. It is much lower than other competitors who have built themselves up, and he decides he wants more money for his blend. He is frozen over here, but he gets over there with a new company and a new brand. He can come up to his competitors that he was frequently underselling.

Mr. SANDERSON. No.

Senator KILGORE. Why can't he?

Mr. SANDERSON. Because he must establish his price by his closest competitive seller of the same item.

Senator KILGORE. This man is no longer a competitor. They have gone out of business.

Mr. SANDERSON. And the most closely competitive seller in March 1942—

Senator KILGORE. He wasn't in business in 1942.

Mr. SANDERSON. Who wasn't?

Senator KILGORE. A was, but B was not, so 10 other companies have higher prices.

Mr. SANDERSON. The circumstances you relate lead to no other conclusion than that A was the most closely competitive seller of the same item as B, who is practically nothing but a successor company.

Senator KILGORE. All right then. What caused all these new brands? Tell me the basic cause for all the new brands.

Mr. SANDERSON. The person who by a certain amount of stretching went beyond these requirements, who read into the regulation the

permission to explore more widely into the field of seeking his most closely competitive seller, and who did not completely follow the principle of the regulation in establishing his price.

Senator KILGORE. Are you talking about the new rectifier or somebody in the price fixing who explored new fields? Which one explored the new fields too thoroughly?

Mr. SANDERSON. The rectifier.

Senator KILGORE. But he had nothing to do with fixing price. You hunted his competitor up.

Mr. SANDERSON. He fixed his own price.

Senator KILGORE. After March?

Mr. SANDERSON. Surely.

Senator KILGORE. Don't you have anything to do with his price ceiling?

Mr. SANDERSON. We determine how he shall determine his price ceiling.

Senator KILGORE. That's what we all want to know.

Senator MURDOCK. Tell us what goes into that price fixing.

Senator KILGORE. And what control is exercised over it.

Mr. SANDERSON. To the first question, what goes into it is the ceiling price in March 1942 of the same item by the identical seller or by his most closely competitive seller of the same general type.

Senator FERGUSON. And he determined that himself?

Senator MURDOCK. When you say the identical item, do you mean the identical brand or a new brand—

Mr. SANDERSON. Containing the identical contents.

Senator KILGORE. The age and proof of the whisky is identical.

Mr. SANDERSON. That is right.

Senator KILGORE. So if he comes out with a new brand you go back to his competitors and the factors, as I understand you, that enter into it are the age of the whisky and the proof?

Mr. SANDERSON. And the formula if it is a blend, or if it is a blend of straight. There are those three factors concerned and no others.

Senator FERGUSON. But until recently he did that himself?

Mr. SANDERSON. That is right.

Senator FERGUSON. And he brought it in and you approved it?

Mr. SANDERSON. No, sir.

Senator FERGUSON. What did he do?

Mr. SANDERSON. He established the price and filed it in his own establishment where it was available for checking by O. P. A.

Senator FERGUSON. Then you had to go there to approve it and you didn't have enough men to do that?

Mr. SANDERSON. No, sir.

Senator FERGUSON. And, therefore, he made his own price.

Mr. SANDERSON. He established his own price under rules determined by us.

Senator KILGORE. Established his own price under his own very rosy view of those rules. Is that right? O. P. A. had nothing to do with that except to promulgate the rules and he fixed the price.

Mr. SANDERSON. He selected the most closely competitive item under notice from us that it should be done in such and such a way.

Senator KILGORE. Suppose he didn't select that? Suppose he got very optimistic as to who his competitor was and he said "My com-

petitor is the highest priced in the same analysis." What did O. P. A. do then?

Mr. SANDERSON. If O. P. A. caught up with him they took enforcement.

Senator KILGORE. How many times did they do that?

Mr. SANDERSON. I can't answer. Anything that reaches that stage is out of my hands.

Senator KILGORE. Could you ascertain and furnish us with the number of cases and the names of the people?

Mr. SANDERSON. Mr. Epstein is here.

Senator FERGUSON. But the price-fixing really lost control when they issued the bulletin and said, "You use this formula." Then it went to the enforcement?

Senator KILGORE. Now, what are you doing?

Mr. SANDERSON. Now, when he comes out with a new brand we have a table of figures that he goes to.

Senator KILGORE. Don't you tell him anything about his price?

Mr. SANDERSON. We tell him now, it is right here.

Senator KILGORE. Does he file with the schedule of that price, or does he file it in his store?

Mr. SANDERSON. He files with us. He has a dollars-and-cents figure here and can't do anything else except find the right one, and then he turns in to us what he has found, and if we find he has made a mistake in addition or subtraction we go back and correct it.

Senator KILGORE. And then you notify him accordingly?

Mr. SANDERSON. Definitely. There is no guesswork about it and no reaching out with rose-colored glasses to somebody's ceiling that isn't correct.

Senator KILGORE. Has there been any effort made to rectify those erroneously reached ceilings? Has the new table been checked by O. P. A. against the old price ceilings as to futures?

Mr. SANDERSON. That is being done constantly. The reports that are now being filed under this will indicate the extent of the adjustment. As soon as these reports are in that will determine the extent of the overpricing that existed before.

Senator FERGUSON. You allowed him to use this formula, as I understand it, from August 1942 to January of 1944.

Mr. SANDERSON. That is correct.

Senator MURDOCK. What explanation have you, if any, as to all these new brands coming into the picture?

Mr. SANDERSON. There are two or three controlling reasons. The one we have just been speaking of, the man who used that—

Senator MURDOCK. What were the words you used there? Two or three controlled?

Mr. SANDERSON. Controlling.

Senator MURDOCK. I wasn't sure if you said "controlled" or "controlling."

Mr. SANDERSON. The man who wished to evade the establishment of a correct ceiling price and who stepped out of his price field and took an improper ceiling, of course, accounts for a certain number of them. Others are accounted for by the inability to maintain the same type of spirits due to the particular processor running out of continuity, and being obliged to change his brand in one way or another.

Others, possibly, and in some cases definitely, are due to the fact that having to use imported spirits in spirit blends, in place of domestic neutral grain spirits, some processors thought it advisable, because that was considered only a temporary measure, to establish those under new brands.

Senator MURDOCK. Are the imported neutral spirits that were being used for blending purposes of inferior quality to what was used formerly?

Mr. SANDERSON. Imported spirits are generally cane spirits coming mostly from the Caribbean area, mostly from Cuba. Certain manufacturers, we believe, don't feel they are of equal quality. It is again a matter of taste.

Senator MURDOCK. Do you think that the bringing in of all these new blends has affected adversely the purchasing public to the advantage of the liquor dealer?

Mr. SANDERSON. No. On the contrary, we believe that were there not some latitude in bringing out new brands, that a substantial amount of the whisky that was held by distributors, wholesalers, and others might never have reached the market.

Senator FERGUSON. Why did you change the rule? Why did you allow them to go on with the 3,000 new brands?

Mr. SANDERSON. We have not changed the rule so far as permitting them to bring out the new brands. We have had to change the level of prices because it did get high, it got away, of course.

Senator MURDOCK. Do you find the tendency on the part of the dealers to evade your price ceilings for their own advantage?

Mr. SANDERSON. We find that the industry is typical of all, that it has some chisellers. I think perhaps that is a general characteristic of all business.

We are not all perfect. We believe that the rank and file of the industry, as we have encountered it, is making an honest effort to carry out these regulations, to sell at the prices we establish, to cooperate in notifying the public what the price is, and to sell at the ceiling price.

Senator MURDOCK. What devices do the chisellers use to evade the price ceilings?

Mr. SANDERSON. I have had no contact, fortunately, with the devices. Now and then we get calls from a great many people all over the country, on the telephone, and we hear of various matters.

I think perhaps the two that are best known in the trade, or those that we hear most about, are the so-called tie-in sale in which an effort is made to sell some unwanted items along with the particular wanted items.

Senator MURDOCK. That doesn't have any effect on the price ceiling, does it?

Mr. SANDERSON. It might. The other being the so-called under-the-counter sale or sale at over the ceiling price.

In our handling of the pricing I repeat that we have found a majority of the industry complying with the regulations.

Senator FERGUSON. Have you had many complaints?

Mr. SANDERSON. Yes; we have a large file of miscellaneous complaints, mostly in the form of personal letters and telephone calls.

We have a limited force available for investigation of the situation but we have, of course, as you have seen in the paper from time to time, taken action in various parts of the country.

Senator FERGUSON. You say there is not much of this so-called black market. I was reading in the paper where one man in the District paid \$200,000. That is quite an item, isn't it?

Mr. SANDERSON. Compared with distribution—

Senator FERGUSON. In one company that is quite an item. Do you know whether an actual audit was made to determine really what he did sell above the prices?

Mr. SANDERSON. There again Mr. Epstein has, at your request, brought the facts and the files, so he can answer that.

Senator FERGUSON. But you didn't ascertain anything in connection with your work?

Mr. SANDERSON. All enforcement action is entirely divorced from anything we do.

Mr. MATTICE. What are the percentages which wholesalers and retailers are permitted as a mark-up? You have not given the figure yet.

Mr. SANDERSON. The percentage for distilled spirits is 15 percent for wholesalers and 33.3 percent to retailers.

Mr. MATTICE. Now, let me ask you this: In accomplishing those mark-ups, take your wholesaler who takes a case of whisky. Let's assume it was imported and cost him \$12. There was some customs duty and tax in that \$12, was there not?

Mr. SANDERSON. If he used his net cost, it would have included the duty and the cost of importation.

Mr. MATTICE. That is what I am inquiring about. Whatever his net cost was included duty and tax?

Mr. SANDERSON. Yes.

Mr. MATTICE. And he was permitted to mark up 15 percent?

Mr. SANDERSON. That is correct.

Mr. MATTICE. And when he did so, he marked up on the tax which had been paid?

Mr. SANDERSON. On the tax up to and including the tax in effect in March 1942, but not on the increase tax in November 1942, and I will explain why that is true.

Mr. MATTICE. Yes.

Mr. SANDERSON. In determining this mark-up of 15 percent we set it at a figure which would represent the normal mark-up of the wholesalers across the country, the whole trade if it were applied to the cost of the item including the tax in effect in March 1942 and then we added the actual tax increase of November 1, 1942, and applied a figure which, if it applied to the total cost plus the new tax, produced the same mark-up which would have resulted from the former method.

In other words, the mark-up was adjusted so that by applying it against the next tax, the cost and the total of the new tax—

Mr. MATTICE. Was that true of the wholesaler only?

Mr. SANDERSON. No; that was true of the retailer also.

Mr. MATTICE. If the net cost was \$12 and the mark-up was 15 percent, \$1.80 was added. Then when it goes to the retailer he marks 33 1/3 percent on the \$13.80.

Mr. SANDERSON. That is right.

Mr. MATTICE. And there is some tax in there?

Mr. SANDERSON. Oh, yes.

Mr. MATTICE. When you go in a store downtown and buy a watch and pay \$100 for it, whether you have it charged to your account or

pay cash, you get a slip and the slip reads, "One watch, \$100," and below that on another line it says, "Tax, \$10," and the merchant who sells it to you in the computation of his business during that year, and in his profits, does not include that tax in computing the amount of business that he has done, but in the liquor business that is done.

Mr. SANDERSON. Yes.

Mr. MATTICE. Why is it done only in respect to the liquor business and not in respect of other commodities? I understand one is a stamp tax and the other is another kind of tax, but it is still a tax. Is there any reason why that is the practice?

Mr. SANDERSON. My first acquaintance with the business came when I became associated with O. P. A. I haven't any knowledge of the reasons why this was done except that it was customary in the industry to consider the tax as a part of the cost.

Senator FERGUSON. Is it an attempt to conceal the amount of tax on liquor?

Mr. SANDERSON. The amount of the tax is so well known.

Senator FERGUSON. Is that the reason? Why don't you use the other formula in price fixing?

Mr. SANDERSON. We simply acquired the basing of prices as existed when we started price control, and have carried it on under the Price Control Act which specifically tells us not to change business practices any more than we have to. Apparently we did not have to change this. It was customary.

Senator KILGORE. Does the same rule apply to cigarettes and tobaccos?

Mr. SANDERSON. I am not competent to say on that.

Senator KILGORE. Both are excise taxes and I wondered if the same rule applied to both the excise taxes which are paid by the manufacturer at the source.

Mr. SANDERSON. I would hazard an opinion that it is handled in the same manner but I wouldn't want to be quoted as saying that I know.

Mr. MATTICE. Suppose a large distillery company, distiller A, in 1943 did a \$1,000,000,000 business according to his statement and his balance sheet at the end of the year. And he further discloses that he made a profit of \$500,000. That would be what percentage? That would be 5 percent, would it not?

Now, included in that \$1,000,000,000 of business he has set out on his books is whatever taxes he paid on the liquors he handled, and if you take those out, instead of 5 percent he has made 25 or 30 percent.

In other words, he has only done \$700,000,000 of business, and the rest is tax.

Whether my figures are correct or not—

Mr. SANDERSON. I wouldn't want to be caught on that percentage trick question.

Senator FERGUSON. You don't consider that a trick question do you?

Mr. MATTICE. He did a billion dollars of business and he made \$500,000.

Mr. SANDERSON. Those mathematics—

Mr. MATTICE. You figure it. He has done a billion dollars of business and says he has made \$500,000 profit. What percentage of

profit has he made? I did it hurriedly. I guessed at 5 percent. What would it be? What is 10 percent of a billion?

Mr. SANDERSON. A hundred million. I would make it five one-hundredths of 1 percent.

Senator FERGUSON. I think that is right.

Mr. MATTICE. Well, 5 percent then would show \$50,000,000 would it not? Would that make the 5 percent?

Mr. SANDERSON. \$50,000,000 would be 5 percent.

Mr. MATTICE. That is what I have in mind. If he has made a net profit of \$50,000,000, or 5 percent on the business he says he has done, but there is included in that business which he says he has done, \$200,000,000 of taxes, taking those out first, he has made a net of not 5 percent, but a much larger percentage, whatever that would figure.

If he figured his percentage of profits on the actual business as Woodward & Lothrop do on their business, it would show a higher percentage, wouldn't it?

Mr. SANDERSON. If he figured it entirely on the value of the commodity rather than the total selling price of the merchandise.

Mr. MATTICE. Certainly.

Mr. SANDERSON. That would be true.

Mr. MATTICE. Yes. Now, let me ask you if you had to do also—your division or your section down there—with the pricing on wines well as on whiskies?

Mr. SANDERSON. Yes.

Mr. MATTICE. Were you connected there in September of 1943?

Mr. SANDERSON. Yes, sir.

Mr. MATTICE. Did you have something to do with the establishment of the ceiling prices on wines and on grapes for various purposes for which grapes are used?

Mr. SANDERSON. I had some connection with the establishment of the prices on wines, but not on grapes. That is handled by a separate department at the office.

Senator FERGUSON. How can you place a price on wines if you don't place it on grapes?

Mr. SANDERSON. That is frequently done. There are certain things on which there may be no control of the raw material, but the control may be exercised through the finished product.

Mr. MATTICE. That was done in the case of grape wine?

Mr. SANDERSON. That was the case on wine and in certain other cases—

Mr. MATTICE. What I mean is, in September and October 1943 ceiling prices were placed on wines and ceiling prices were placed on grapes for uses other than the making of wines, but not placed on grapes which went to the wineries and were later made into wine. That is the way it was done?

Mr. SANDERSON. That is correct.

Mr. MATTICE. Who handled that? Do you happen to know that? You say you didn't have a part in that.

Mr. SANDERSON. I had a part in the making of the wine regulation. We have a Fresh Fruit and Vegetable Section of O. P. A. which handles the pricing on fresh fruits and vegetables, which is done in connection with the joint action of W. F. A.

Mr. MATTICE. Who was in charge of that Section in September and October of 1943? I take it you were not.

Mr. SANDERSON. I was not.

Mr. MATTICE. It is not your field?

Mr. SANDERSON. No, sir.

Senator FERGUSON. Don't I understand that you placed a price on wine and in that price you considered that the grapes to make it would be at \$30.30 a ton?

Mr. SANDERSON. The price was established by using the \$30.30 figure as the grape price; yes.

Senator FERGUSON. And at the same time you knew that the grapes were selling at \$70 a ton to the manufacturers?

Mr. SANDERSON. This regulation was amendment No. 3 to Maximum Price Regulation 445, and was issued on October 1, 1943.

Senator FERGUSON. Now, how could proper price fixing ever do a thing like that, to fix the price of the ingredient of wine at \$30.30 knowing it could not be purchased at that price, but was being paid for at the rate of \$75 to \$77 a ton? What is the reason for pricing like that?

Mr. SANDERSON. This Office started back in March of 1943 to notify the trade that the price on agricultural products or the products manufactured from agricultural products, would reflect the legal minimum established under the Emergency Price Control Act. That legal minimum is determined by the Department of Agriculture in accordance with the terms of the act, as provided by Congress, and the Department of Agriculture in due course notified us that the legal minimum for grapes for crushing into wine in California would be \$30.30.

We, in March of 1943, notified the trade that we would control prices of wine on the basis of that figure, and in—

Senator FERGUSON. Why didn't you place a price on those grapes?

Mr. SANDERSON. That is, as I say, outside of my Section and I am not trying to—

Senator FERGUSON. Simply because your section doesn't handle grapes, you put it in at a certain price and then there is no other price fixed on the grapes and you have this variation.

Mr. SANDERSON. I am not trying to evade answering the question fully. The only difficulty is that it is a thing not under my—

Senator FERGUSON. Didn't you ever hear that that permitted the large companies to go in and buy up the small companies, because the small companies were not able to make wine at \$70 a ton or \$75 a ton for grapes, whereas the large ones could afford to do it and hope that in the future they would get your price up?

Mr. SANDERSON. I, of course, have heard a great many stories about what happened. I was in California a part of the summer.

Senator FERGUSON. Isn't that exactly what happened?

Mr. SANDERSON. It might have happened in an instance, one or more—

Senator FERGUSON. That you permitted these monopolies to go in and buy 25 percent of the wine business and the grape business of California, just by that method of pricing.

Mr. SANDERSON. No; that is certainly not true because—

Senator FERGUSON. Now, you tell us on this record how you could manufacture wine and expect to sell it and make a profit when the

ingredient, the grape, was fixed at \$30.30 and the market for grapes was in the \$70's.

Mr. SANDERSON. That was up to the ingenuity of the person who in the face of the warning that the wine price would be so-and-so, stepped out and paid a higher price.

Senator FERGUSON. He either had that choice or he would make no wine. That is not ingenuity, is it? You can't even do that by magic.

Mr. SANDERSON. That is price control through the end product, without a ceiling price—

Senator FERGUSON. That is what I am getting at. Isn't it the wrong way to fix prices by controlling it at the end product? You force out of business many people.

Mr. SANDERSON. Not necessarily.

Senator FERGUSON. But it does as an actual fact.

Mr. SANDERSON. Frequently it produces a situation like this one—

Senator FERGUSON. How would any small businessman ever try to make wine out of \$70 grapes when he knew he could only sell it at the price of \$30 grapes?

Mr. SANDERSON. I wouldn't and I couldn't imagine anyone.

Senator FERGUSON. Then how do you account for one drop of wine being made in California on your basis?

Mr. SANDERSON. There are various reasons. In the first place, these prices referred only to the current wine produced from the 1943 crop. There has been a limited amount of that sold, perhaps very little, if any, so far.

Most vintners, however, have not only a current wine at a price level along these prices, but they have established brands of older and higher-priced wines.

Senator FERGUSON. Then isn't this true: That the man who made so-called low content table wine and sold it in gallons or even by the barrel, is the fellow who has not been able to put it into this high-priced bracket and, therefore, he is the man who is being purchased by the Big Four? Isn't that what your price-fixing did?

Mr. SANDERSON. No. I think there is no one who specifically, merely by reason of this regulation, was forced to change his method of doing business, except possibly the producer of only bulk wine.

Senator FERGUSON. Did you put the bulk wine manufacturer out of business by this method? How could he possibly do it—that's the thing I want answered—where he had to do it on the basis of paying \$70 a ton and the price he could sell it at was on the basis of \$30 a ton?

Senator MURDOCK. Is that statement a fact?

Mr. SANDERSON. The statement of facts is that the competitive market grew from the average price paid in 1942 of \$30.36 and started off in the 1943 season at around \$35, and went not only to \$75, but even higher by competition.

Senator MURDOCK. But isn't it a fact that on the grapes that went into wine, there is no ceiling fixed on them at all?

Mr. SANDERSON. That is correct.

Senator MURDOCK. And the \$30 price on grapes was on grapes that went into some other business entirely?

Mr. SANDERSON. No. The \$30.30 figure is the grape cost that is used in compiling these wine prices.

Senator MURDOCK. That is the cost that you used in the compilation of the wine prices?

Mr. SANDERSON. That is right. We notified the industry that we would establish wine prices and in doing so we would use these \$30.30 grape prices, and anybody who paid more for grapes than \$30.30 would have to absorb the difference in his selling price somehow.

If he happened to have three or four brands and some are high priced, he might be able to absorb a certain part. If he had no higher-priced brands and had to sell all on the prices determined in here, it would be a job to do it.

Senator MURDOCK. It seems to me Senator FERGUSON is trying to establish the fact that the fixing of prices for wines on the basis of \$30 grapes worked to the advantage of the big companies that went in and purchased the wine industry in California. Now, if you know, is that true?

Mr. SANDERSON. That would not be my impression. Instead of paying \$30.30, any large buyer of grapes, which included these larger operators, had to pay a substantially greater figure, but in their wine prices they were obliged to absorb the difference between what they paid and this relatively low amount.

Now, this \$30.30 figure is not a ceiling of any sort. It is simply the figure—

Senator FERGUSON. At which you determined the price of the wine.

Mr. SANDERSON. At which we determined the price of the wine. That figure was furnished us by the Department of Agriculture as the legal minimum below which we could not set a price, because it would not allow an adequate return to the grower.

Mr. MATTICE. Parity entered into this?

Mr. SANDERSON. We use the highest price received by the grower during the 1942 season. The act reads—

between January 1, 1942, and September 15, 1942. The Secretary of Agriculture uses the average for the 1942 season as the period, where the grapes are not grown within that period provided in the act.

The wine price was so fixed.

Senator FERGUSON. Did you fix a price on grapes to individuals who wanted to make wine? There is a large industry in that, isn't there?

Mr. SANDERSON. Yes; there is a large shipment of so-called juice grapes from California to eastern users. O. P. A. did place a ceiling although, as I explained before, I have no direct connection with it.

Mr. MATTICE. Was that \$37.10? Wasn't that it?

Mr. SANDERSON. The base price used, I believe, was \$37.10.

Senator FERGUSON. How could you place that price and not place one to the wineries? If I live in California, an individual, and buy a ton of grapes to make some wine, you put a ceiling on those grapes, knowing they are wine grapes, but a company that manufactures wine has no ceiling on their grapes. How do you account for that?

Mr. SANDERSON. I can say that very substantial thought was given to the whole question, and I am relating my general knowledge of the situation and not direct participation.

In the first place, the number of types of grapes used for wine is tremendously larger and more complicated than those used for table

shipment or normally used for juice shipment, for shipment out of California.

The territories involved grow grapes under entirely different circumstances. The cost of production varies decidedly more than in any other types. The sugar content of the grape, which more or less determines the value for wine making, is a factor in the sale to the winery, and generally not a factor—as long as it reaches the California legal limit—on table and juice grapes. So that the complications involved in determining the ceiling price of grapes to the winery were, I believe, found by W. F. A. and O. P. A. to be an insurmountable difficulty which prevented the establishment of the ceiling price which would have worked a tremendous hardship and been almost impossible of operation.

As a result, the agencies were faced with the choice of attempting to take on an almost impossible administrative job in trying to set adequate ceilings on a complexity of types, of grades, and all other factors, or to attempt control through the end product. And the decision, as has been stated, was the control only through the end product.

Mr. MATTICE. Would you give us a little picture of the mechanics of how you figure the prices on wines, basing on \$30.30 a ton for grapes? Start with this: How many gallons of wine on the average is obtained from a ton of grapes?

Mr. SANDERSON. The average figure used in the trade, and by us, is 160 gallons of dry wine or table wine, so-called, which is 14 percent or less, and 80 gallons for sweet or dessert wines.

Mr. MATTICE. That is an average of about 120?

Mr. SANDERSON. They are figured separately. There is no average between the two. Separate prices are determined on each grade.

Added to that are the costs of processing. That includes the crushing and the fermenting process, the overhead and labor cost of the actual production of the wine.

Mr. MATTICE. You have some figures at hand. What do the grapes cost per gallon of wine. What is the figure? Is it 60, 70, or 80 cents?

Mr. SANDERSON. If you divide \$30.30 by 80, it will give you approximately 38 cents.

Mr. MATTICE. Thirty-eight cents a gallon before they are crushed?

Mr. SANDERSON. Yes.

Mr. MATTICE. Then you have labor costs and other costs. Do you remember about what those are on the average per gallon?

Mr. SANDERSON. The average cost is approximately \$14.

Mr. MATTICE. I mean per gallon. It would be less than \$2, I should say. I don't know how to compute it.

What I have in mind is that the ceiling price you put on table wines is \$3.74 and \$3.85 in cases of fifths, per case.

Mr. SANDERSON. I could give you the break-down completely if I had the figures here. But they can be roughly figured. The \$30.30 plus the cost of manufacture—

Mr. MATTICE. If any vintner paid more than \$30.30 per ton and sold his product at the ceiling prices fixed, around \$3.75 on table wine and \$4.75 on dessert wine, he couldn't come out ahead. He would not be making any money if he paid more than \$30.30.

Mr. SANDERSON. That isn't entirely true because the \$3.74 price does allow for some selling expense and it does allow the vintner a profit. He would have to absorb—

Mr. MATTICE. Even if it does, if instead of paying \$30.30, he pays, as the testimony heretofore has shown, \$77 or \$75 a ton, and was paying that price at the time when O. P. A. put on these ceiling prices, and continued to pay that price afterward, and later pays still more than \$77 or \$75 a ton, he couldn't come out even on it, could he?

Mr. SANDERSON. He could not.

Mr. MATTICE. But they did go on and pay those prices for wine grapes.

Mr. SANDERSON. That's right.

Senator FERGUSON. Well, were they able to come in and convince you that the cost was higher and therefore they should sell the wine at a higher price?

Mr. SANDERSON. We let everybody in, but we don't expect to be convinced, because our prices were established and due notice given of what we could allow.

We have many cases where people pay an unwarranted amount for a commodity that goes into a ceilinging product.

Senator FERGUSON. Were there many new labels in wine?

Mr. SANDERSON. Yes; there were several new labels in wine.

Senator FERGUSON. Do you mean two or three or hundreds?

Mr. SANDERSON. Several relatively, would be into the hundreds—not into perhaps as great a volume as distilled spirits.

Senator FERGUSON. Do you scrutinize the labels?

Mr. SANDERSON. We receive a filing report of all brands to which we require the attachment of the label. I have perhaps 5,000 or 6,000 of wine and several thousand of distilled spirits. It is impossible to say that every one is scrutinized.

Senator FERGUSON. Have you a price ceiling, a percentage—

Mr. SANDERSON. We only had it the same way I described it.

Senator FERGUSON. On the liquor?

Mr. SANDERSON. On the liquor.

Senator FERGUSON. And the same way on the retailing of wine. Does this new rule of January apply to wine?

Mr. SANDERSON. The wine regulation was issued on October 1, 1943, but the mark-up procedure dated last August 27, 1942, also provided for the mark-ups on wine. We priced it under the same system. The mark-up is 25 percent at the wholesale level and 50 percent at the retail level.

Senator FERGUSON. You mean 25 percent and then 50 percent on the total?

Mr. SANDERSON. Yes.

Senator FERGUSON. And spirits was 33½ and 15?

Mr. SANDERSON. Yes.

Senator FERGUSON. This new rule you have is a very workable rule, is it? If I gave you a whisky, can you tell me what the difference in the price would be? Let's take 75-percent neutral spirits, 4-year-old, 85-proof. What would that sell for?

Mr. SANDERSON. If you make it 86.8 proof, I will—

Senator FERGUSON. But you couldn't tell me if I make it 85?

Mr. SANDERSON. I happen to have the 86.8 figures.

Senator FERGUSON. I didn't give you this before.

Mr. SANDERSON. This morning we raised the question and I figured it during the noon hour at \$19.88 a case of fifths, 25-percent whisky, 4 years old, and 75-percent domestic neutral grain spirits 86.8 proof.

Senator FERGUSON. Yes. That would be \$19.88?

Mr. SANDERSON. Yes.

Senator FERGUSON. Now, compare that with the price of the 4-year-old, 100 proof straight whisky under the present formula. What regulation do you go to for that price?

Mr. SANDERSON. Amendment 9 to No. 445. Table No. 2 of page 18 gives the price of 4-year-old whisky, 80 proof, at \$18.69.

Senator FERGUSON. One hundred proof?

Mr. SANDERSON. It gives 80 proof and then provides a proof adjustment of 0.215 per degree of proof. So multiplying that by 20, you have \$4.30, producing a price at 100 proof at \$23.02.

Senator FERGUSON. How does that compare with the 1941 price?

Mr. SANDERSON. The 1942 price—you want the 1942 price of Old Taylor or one of those?

Senator FERGUSON. Yes.

Mr. SANDERSON. That I just gave was—

Senator FERGUSON. That is a bonded whisky, 4-year-old 100 proof.

Mr. SANDERSON. That is right.

Senator FERGUSON. Let's take a high-priced Old Taylor or whichever one of those you want to use.

Mr. SANDERSON. I have here Old Granddad at \$30.45, which is the March 1942 price adjusted for the addition of \$4.80 for the November 1, 1942, tax.

Senator FERGUSON. Now, if a man could have taken his label off, he could have raised the price of his liquor from \$23 to \$30 if he could have said he put it at the price of Old Granddad as a competitor.

Mr. SANDERSON. If he had used the Old Granddad price.

Senator FERGUSON. Yes; and you had no particular method of adjusting that or checking it?

Mr. SANDERSON. Yes. We had no way of going to every producer and checking immediately, but we did have a method of checking after the item came on the market and we have, as I said before, in many instances, had enforcement actions against just such price increases.

Senator FERGUSON. Did you have some trouble over a regulation on table grapes, ceiling price, and so forth? Do you know anything about that?

Mr. SANDERSON. Not directly. That again was handled by the—

Senator FERGUSON. There was quite a bit of publicity on the question of table grapes, wasn't there?

Mr. SANDERSON. Substantial publicity in the California papers, of which we received copies, but—

Senator FERGUSON. What was that question? What did they claim was wrong?

Mr. SANDERSON. Well, there were a great many comments made about the regulation.

Senator FERGUSON. Didn't they claim they were shipping them here and people were selling them at absolutely no profit at all; just be able to sell grapes, that your regulation would not give them any profit?

Mr. SANDERSON. Such a claim might have been made. I would prefer that someone who knew the details answered the question.

Senator FERGUSON. Is there anybody here today who knows about it?

Mr. SANDERSON. I think Mr. Brownlee could tell you who could furnish the information, if he doesn't know.

Senator FERGUSON. That's all.

Senator MURDOCK. I have a few questions here that have been submitted by an investigator. Is there any difference in price between domestic neutral spirits, and those that we import from the Caribbean area?

Mr. SANDERSON. When they use imported neutral spirits to replace domestic spirits, we allow the processor to add the amount of duty paid and the actual cost of bringing in the spirits, not to exceed 50 cents a proof gallon.

The effect of that substitution on the brand that I just gave the Senator, 25 percent whisky, 75 percent domestic spirits, at 86.8 proof, if Cuban spirits were substituted for domestic spirits, would be that the ceiling price would be \$23.78 for the same item, an increase of \$3.90 per case. That results, as I say, from the addition of the duty on the amount of spirits displaced, which is on a wine gallon basis, and the transportation costs on a proof-gallon basis.

Senator MURDOCK. You referred to tie-in sales a while ago in answering one of my questions. Is that prohibited under your most recent regulations?

Mr. SANDERSON. All our regulations, beginning in March 1942, have made a tie-in sale illegal. That is the policy we have maintained right along.

Senator FERGUSON. Would that apply to a State that is a monopoly? I understand some States compel their retail establishments to tie in so much rum or gin for every bottle of whisky.

Mr. SANDERSON. The monopoly States operate under our regulations so far as sales to consumers go.

Senator FERGUSON. But to a bar or hotel that would be an illegal sale?

Mr. SANDERSON. It would be illegal if it were not a practice in March of 1942, and if it were done as an evasion of our regulations. There might be some circumstances relating to the rationing of their supplies or distribution.

Senator FERGUSON. Is this as flexible as you now make it? Can't you pin this down and say whether that is or is not illegal?

Mr. SANDERSON. That is hard when we don't know all the facts relating to it.

Senator FERGUSON. I am giving you the facts now. Here is a State, which goes to the bars and the so-called licensed places, the hotels, and they say, "For every bottle of whisky you take you must take so much gin and so much rum and these other products." I want to know is that illegal under your rules?

Mr. SANDERSON. I hate to qualify, because if it were done in March 1942—

Senator FERGUSON. No; not in March. It is done today.

Mr. SANDERSON. If it were a new practice and no alternative but for the purchaser to accept this as is or not at all—

Senator FERGUSON. You mean duress?

Mr. SANDERSON. Yes.

Senator FERGUSON. You mean compelled to do it?

Mr. SANDERSON. I mean if he is offered the three items together and it is recommended that he take them, but if he could get out of it by refusing to do it, you could hardly call that tie-in sale.

Senator FERGUSON. How hard must he try to get out of it?

Mr. SANDERSON. It is either a tie-in agreement or it is not. If the seller gives him no other choice and says, "You take the gin and rum or you don't get the whisky," that is a tie-in sale. That is illegal.

Senator FERGUSON. What is the punishment?

Mr. SANDERSON. Violation of the—

Senator FERGUSON. If a State did that. What is the penalty for it?

Mr. SANDERSON. There is a varying scale of penalties for violation of the act, which are stated in the act, which range from, I think, \$5,000 fine to a larger fine plus imprisonment.

Senator FERGUSON. Have you ever had any cases where you have tried them for these tie-in sales?

Mr. SANDERSON. There again I would have to ask you to ask Mr. Epstein.

Senator FERGUSON. Do you know of any?

Mr. SANDERSON. I have no direct knowledge, although I would say, if my memory serves me correctly, we have taken action in connection with tie-in sales.

Senator FERGUSON. But he would know—

Mr. SANDERSON. He would know specifically whether or not we have.

Senator MURDOCK. As I understood the evidence we took the other day, I believe it was stated to us that there is the finest kind of cooperation between your administration and the monopoly States. Is that correct?

Mr. SANDERSON. That is correct. We have an advisory committee of the monopoly States, and we work very closely with them. No indication of the facts that the Senator has mentioned has come to my attention in any monopoly State.

Senator MURDOCK. In a monopoly State, instead of forcing them to take something else, they are merely told, "If you do buy a fifth of liquor you are entitled to a container of rum and a container of wine." That was the regulation in my State. They didn't have to take it but they were entitled to it if they wanted it.

Mr. SANDERSON. We have no indication of what any particular State may be doing in that respect.

Senator FERGUSON. That wouldn't come to you. It would come to the enforcement section, wouldn't it?

Mr. SANDERSON. Sometimes it comes to us and we turn it over to the enforcement people.

Senator FERGUSON. But you have had no such complaints?

Mr. SANDERSON. No; we have had no such complaints.

Mr. MATTICE. I have one more matter with this witness, if I may. In September 1943 there occurred a thing known as a press release from the Office of Price Administration, which was published in California.

Do you know about that?

Mr. SANDERSON. Yes, sir.

Mr. MATTICE. That press release warned vintners not to pay more than \$30.30 for grapes, did it not?

Mr. SANDERSON. Yes, sir.

Mr. MATTICE. At that time the vintners were paying around \$75 or some such price, more than twice \$30. Is that correct?

Mr. SANDERSON. They were paying in excess of \$30.30 by a considerable amount.

Mr. MATTICE. And after that press release, which was made early in September 1943, the wineries continued to pay a price greatly in excess of \$30.30, did they not?

Mr. SANDERSON. Yes, sir.

Mr. MATTICE. And went on paying still more, and even as high as \$125 a ton. That is substantially correct?

Mr. SANDERSON. Substantially correct.

Mr. MATTICE. Will you tell the committee what effect you think that price release put out by the Office of Price Administration, had on the farmers out there in the State of California, who had grapes for sale? What did it cause them to do, if you think it caused them to do anything?

Mr. SANDERSON. From all indications that we received, it had very little effect. It was simply a repetition of the release I mentioned as having been given out in March of 1943.

It followed the statements made to the members of the industry in various conferences during July and August, 1943. It was gotten out, if my memory serves me correctly, to merely remind them again that the O. P. A. had constantly notified the trade from the beginning of the season that no adjustment in wine prices would be expected to reflect more than—

Mr. MATTICE. Have you seen the release here? Have you read it lately? Let me read part of it:

September 2, 1943.—The Office of Price Administration today warned the western wine and grape industry that continued purchase of juice grapes at reported current high prices may involve heavy losses for buyers when new regulations covering juice grapes, wines and related products are established.

The new regulations are expected to be made public within the next few days. Office of Price Administration officials here declared that amendments to Maximum Price Regulations 425 and 426 now being drawn in Washington, D. C., will set prices covering juice grapes for out-of-State shipments on the basis of an average return to the grower of \$37.10 a ton, while flat prices to be established for bulk and packaged wines will be based on a \$30.30 average return to the grower.

Paying in excess of these average figures is pure speculation, the Office of Price Administration warned, revealing it is receiving reports of juice grape purchases ranging from \$65 to as high as \$85 a ton.

Now, I would like to ask you what effect you think that had on the grape growers when they read that in the newspapers that O. P. A. would in a few days put on these ceiling prices, and warning vintners not to pay more than \$30 a ton.

What do you think it caused the growers to do?

Mr. SANDERSON. Our opinion is that it had practically no effect. Growers had been advised for a long time that this was the program. They knew it was coming.

Senator FERGUSON. Where were grapes when that order was issued? What was the month?

Mr. MATTICE. September 1943.

Mr. SANDERSON. Certain types of grapes were beginning to come on the market. The grape season starts in the Imperial Valley in the middle of June, and advances north, and at this particular time

of the year the table grape movement was coming up the San Joaquin Valley but had not reached the major table grape section around Lodi.

Mr. MATTICE. Don't you think it would have had the effect of causing the grape growers to rush in and sell their grapes at the prevailing high price when they were told that the O. P. A. was going to put on a ceiling that would not enable vintners to pay over \$30? Don't you think it would have that effect?

Mr. SANDERSON. I think all along that the grape grower in particular, as well as the vintner, had been on notice.

Mr. MATTICE. Aside from this being on notice, when this came out in the newspapers, don't you think grower A would likely have said to himself, "I guess I better sell for \$75 if they are going to put it down?"

Mr. SANDERSON. That is invariably the case when notice of a ceiling price is given. We admit that.

A portion of the industry, of course, produced grapes and sold them prior to this. It is not an unusual situation.

Mr. MATTICE. All right. The next step. If it did have any such effect then that grower, or at least some growers—however, many of course, we don't know—who were thus led to rush in and sell for \$75 a ton lost the difference between that and what they could have gotten if they had held their grapes a while and sold for \$100 or \$125 a ton, which they could have done. It caused a loss, did it not, to some growers in California?

Mr. SANDERSON. That is possible by reason of the fact—

Mr. MATTICE. Have you heard that it caused a loss to California grape growers of around \$20,000,000 in the 1943 season?

Mr. SANDERSON. I may have a recollection of that figure from correspondence from one of the grower organizations.

Senator FERGUSON. What is the real reason for the issuing of that order upon that date?

Mr. SANDERSON. You mean this release?

Senator FERGUSON. Yes.

Mr. SANDERSON. There had been several conferences with the growers and again I ask the indulgence for speaking of something with which I was not connected and can only relate what I know.

Senator FERGUSON. This was issued by you, was it not?

Mr. SANDERSON. No, sir; we don't issue anything except on wine.

Senator FERGUSON. This involved wine, didn't it?

Mr. SANDERSON. This mentioned wine, but this was a release connected with juice grapes.

Senator MURDOCK. Who is directly responsible for the press release, if you know?

Mr. SANDERSON. I would say that this was issued by the price executive who at that time was Mr. John Gismond.

Senator MURDOCK. Is he still with the O. P. A.?

Mr. SANDERSON. Yes, sir. He had charge of both the beverage section and the fruit and vegetable section at that time.

Senator FERGUSON. Is this considered a trial balloon? Is that what this is, to see what the reactions of the people would be?

Mr. SANDERSON. Oh, no, sir. This is merely a notice which we give when we are in a position to give advance notice, that a regula-

tion is to be issued and, when we feel it may not be thoroughly understood by everyone, that it may be coming out soon—

Senator FERGUSON. You had all the grape manufacturers so you could have given them direct notice. You would not have had to notify the grape grower, would you?

Mr. SANDERSON. This was directed to the grape grower.

Senator FERGUSON. Why do you want to direct it to them when you didn't have a price on it so far as he was concerned?

Mr. SANDERSON. We were telling him we were putting a price on it.

Senator FERGUSON. Not on grapes for wine.

Mr. SANDERSON. We are talking about shipment of juice grapes for shipment out of the State, and indicating the wine price would be based on \$30.30.

Senator FERGUSON. But didn't you lead him to believe there would be an actual ceiling on wine grapes in California of \$30.30?

Mr. SANDERSON. No; I don't think so.

Senator FERGUSON. Read it and see whether a farmer would interpret it as being a ceiling.

Mr. SANDERSON. The California grape growers are very familiar with the—

Senator FERGUSON. But the public would read that, that they were going to place a ceiling on it. Isn't that true? You don't say specifically that you will not place a ceiling on it.

Mr. SANDERSON. I would say the California grape grower was thoroughly apprised of what was going to happen.

Senator FERGUSON. How did the grape grower know you were not going to put a ceiling on grapes to the wineries? How would he know that?

Mr. SANDERSON. I think he was pretty well informed of that by the representatives of the—

Senator FERGUSON. Did you tell him that? Did you tell him that you were not going to put a price on them as far as the wineries were concerned?

Mr. SANDERSON. No; we didn't tell him in so many words in this release.

Senator FERGUSON. But had you told him beforehand that you would not put a price on so far as the wineries were concerned?

Mr. SANDERSON. I would say he had been very definitely notified by both O. P. A. and W. F. A.

Senator FERGUSON. Will you bring those releases here so we can have them in the record, the releases that did give him such notice?

Mr. SANDERSON. I can't produce the releases. I would say it is the general understanding in the trade.

Senator FERGUSON. As I understand counsel now, he brings facts here that show great loss to the California grape growing trade, and they blame the O. P. A. for causing that by issuing this release. You appreciate that, don't you?

Mr. SANDERSON. I appreciate that.

Senator FERGUSON. Had you ever heard that before?

Mr. SANDERSON. I have heard possibly of a similar condition.

Senator FERGUSON. Did you ever make an examination to ascertain if that was a fact?

Mr. SANDERSON. I never did because, as I said before, I am into a field—

Senator FERGUSON. Has the O. P. A. ever made an examination to see if that is a fact?

Mr. SANDERSON. I couldn't answer that, Senator, because this is one of the cases outside of my section.

Senator FERGUSON. Will you find out if they did and furnish the facts to the committee?

Mr. SANDERSON. I will be glad to have the facts furnished.

Senator MURDOCK. The witness indicates to me that he knows a lot about this release. I would like him to tell me briefly and without going all over the lot again, what was the purpose of the release.

Mr. SANDERSON. I repeat my previous explanation that my understanding of the release was to notify the trade of the imminence of the issuance of the regulation covering juice grapes for out-of-State shipment.

I state that again because during conferences with the industry in California which were held by—

Senator MURDOCK. Do you mean with the wine industry?

Mr. SANDERSON. With the juice grapes and table grape growers, I think they had been led to expect this regulation much sooner, and momentarily they were expecting to receive it.

Senator MURDOCK. But the growers of the grape was interested in nothing except the best price he could get for his grapes. The natural thing for all of us to do is to get the best price we can for the things we grow.

Did you issue that release for the benefit of the grape grower?

Mr. SANDERSON. The grower might state that any imposition of a ceiling is not a benefit when he did not have a ceiling.

Senator MURDOCK. I am asking you now did you issue the release for the benefit of the growers?

Mr. SANDERSON. If information is a benefit it did tell them the ceiling price was coming and coming soon. It gave them notice if they wanted to sell that they had better sell quickly.

That is one inference that could be drawn from it.

Senator MURDOCK. Now, did you issue the release for the benefit of the wine manufacturer, the wine producer?

Mr. SANDERSON. No. It merely reported what had been told the wine manufacturer right along, that the prices would be issued.

This makes the statement that new regulations are expected to be made public within the next few days, indicating the wine regulation would come soon. It did not come until October 1, due to delays in compiling it.

Senator MURDOCK. Is it a practice of O. P. A. to put out these releases so that people can take advantage of what is going to happen a little later on?

Mr. SANDERSON. It is not common practice.

Senator MURDOCK. Is this a very exceptional proposition, a very exceptional thing to do?

Mr. SANDERSON. Not when a determination has been made and the industry has been consulted and they know pretty well what is going to happen.

Senator FERGUSON. You say the industry was consulted. As I understand it, there is not an independent grape grower in California on your committee.

Mr. SANDERSON. We had no committee at the time.

Senator FERGUSON. How were they consulted?

Mr. SANDERSON. We talked to many thousands of them.

Senator FERGUSON. Will you tell us who went out and talked to thousands of them?

Mr. SANDERSON. I was one of those who did.

Senator FERGUSON. What did you tell them? Did you have authority to make any particular statement? How did you personally know what the regulation was going to be?

Mr. SANDERSON. We didn't know at the time.

Senator FERGUSON. Then how could you talk to thousands of them and tell them anything that amounted to anything?

Mr. SANDERSON. I didn't say we told them anything. We went to consult them and felt that we could establish a workable regulation.

Senator FERGUSON. Did you tell them you were or were not going to put a ceiling on grapes to the wineries?

Mr. SANDERSON. We didn't say.

Senator FERGUSON. I take it for granted that a grape grower would be a farmer. How would he know whether or not it would not be better to dump his grapes immediately by contracting immediately at the same price of \$30.30?

Mr. SANDERSON. There was no \$30.30 price.

Senator FERGUSON. Don't you say \$30.30 per ton?

Mr. SANDERSON. We say that is the price to be used in setting the wine ceiling.

Senator FERGUSON. Tell me what grower would ever think at that particular moment that he could ever get more than the price to be used in fixing the wine price?

Mr. SANDERSON. He would not have to even worry about that because—

Senator FERGUSON. How could he expect to get any more?

Mr. SANDERSON. Because the vintner was offering more right at the time.

Senator FERGUSON. Didn't you tell Senator Murdock that the tendency would be for him to immediately dump his grapes?

Mr. SANDERSON. He was speaking of the juice grapes on which we said there would be an immediate ceiling.

Senator FERGUSON. But you don't think it would cause him to do anything with the wine grapes?

Mr. SANDERSON. Not necessarily.

Senator FERGUSON. Don't you think if you were a grower you would get rid of your grapes at a higher price than \$30.30?

Mr. SANDERSON. I know I would.

Senator FERGUSON. Then wouldn't Mr. Mattice's conclusion that the people lost this money, be a reasonable conclusion for these people to draw?

Mr. SANDERSON. I certainly would not draw such a conclusion. As a matter of fact, the longer a ceiling price is held up the greater the return to the grower of the other types of grapes. There was nothing in any release that I know of, no statement made at any time, that

was such as to cause anybody to sell at jump price, other than to get a high price before a ceiling went on.

That was done in the case of both the juice grapes and the table grapes.

Senator FERGUSON. You gave them notice so they would go out and get a high price, so that the ultimate seller would lose the money. Is that the reason for that release?

Mr. SANDERSON. There was no release other than this statement contained in this release.

Senator FERGUSON. But you were talking about one just now—you were talking about them getting a higher price.

Mr. SANDERSON. That is obvious if—

Senator FERGUSON. I don't want any if's. Did you issue such a release?

Mr. SANDERSON. Only the statement made in this release.

Mr. MATTICE. It did have the effect of causing the growers, in large numbers, to sell their grapes then, or soon thereafter, did it not, at the prices then being paid, which were around \$75?

Mr. SANDERSON. The number of grapes available on the market on the date of this release would not be representative of the peak movement of the crop, in my opinion.

Mr. MATTICE. By the way, was this time, September 2, early or late in the grape season? I am not familiar with seasons. I mean, was the season late or was it a normal season or what?

Mr. SANDERSON. The season was slightly early this year, and it was a season of larger than usual production.

Mr. MATTICE. Production was larger?

Mr. SANDERSON. Production was larger.

Mr. MATTICE. And the price much higher than it had ever been before?

Mr. SANDERSON. Very definitely.

Mr. MATTICE. I wanted to ask you, Mr. Sanderson, if you were present at a meeting of grape growers, shippers, and vintners held at Fresno, Calif., on July 30, 1943?

Mr. SANDERSON. I was in California and probably that is the date of the meeting.

Mr. MATTICE. At a meeting at which Mr. Franklin Gindick was present?

Mr. SANDERSON. Yes.

Mr. MATTICE. And R. S. Garson; A. N. Harrison; Donald R. Rush; and Kenneth R. Hampton; and John J. Gallagher, chief price attorney; and George C. Feliz, district price officer; and Edward Terry, associate price specialist?

Mr. SANDERSON. Yes, sir.

Mr. MATTICE. Was there quite an attendance at that meeting?

Mr. SANDERSON. Yes, sir.

Mr. MATTICE. Meaning by that, 25, 50, or a hundred?

Mr. SANDERSON. Oh, probably 300 or 400.

Mr. MATTICE. I think, if the chairman please, in view of the lateness of the hour, that we cannot finish with this witness.

The CHAIRMAN. I think we had better rise until 10:30 in the morning.

(Whereupon, at 4:50 p. m., an adjournment was taken until 10:30 a. m., January 20, 1944.)

LIQUOR INDUSTRY

THURSDAY, JANUARY 20, 1944

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10:45 a. m., in the caucus room, Senate Office Building, Senator Frederick Van Nuys (chairman) presiding.

Present: Senators Van Nuys (chairman), Murdock, Ferguson, and Wherry.

Present before the subcommittee were Mrs. Ida B. Wise Smith, Mr. Wilson D. Sanderson, Mr. Harold Epstein, and Mr. James F. Brownlee.

The CHAIRMAN. The committee will come to order.

Is Mrs. Smith here?

Mrs. SMITH. Yes.

STATEMENT OF MRS. IDA B. WISE SMITH, PRESIDENT OF THE WOMAN'S CHRISTIAN TEMPERANCE UNION, EVANSTON, ILL.

The CHAIRMAN. Will you state your name to the committee, Mrs. Smith?

Mrs. SMITH. Ida B. Wise Smith.

The CHAIRMAN. Where do you live, Mrs. Smith?

Mrs. SMITH. I am a citizen of the State of Iowa but a resident, at the present time, of Evanston, Ill., because that is the headquarters of the organization and for business reasons I reside there, but I vote in Iowa.

The CHAIRMAN. You are the president of the national association of the Woman's Christian Temperance Union?

Mrs. SMITH. I am.

The CHAIRMAN. How long have you been president of that organization?

Mrs. SMITH. This is my tenth year, so, you see, I am somewhat experienced.

The CHAIRMAN. Would I be presuming to ask what your age is?

Mrs. SMITH. I am 72—no, I am 71, but I will be 72 next July.

The CHAIRMAN. Mrs. Smith, the press associations in Nation-wide publicity carried an article not long ago to the effect that this subcommittee of the Senate Judiciary Committee was under the control of and inspired by the national distillers of this country and they attributed that to a resolution or statement of some kind to the Woman's Christian Temperance Union at Evanston, Ill., where you are located. What is the fact about that?

Mrs. SMITH. I have made that the first paragraph of my statement to you, gentlemen.

The CHAIRMAN. All right.

Mrs. SMITH. I saw that press release also. It has always been the policy and habit of the Woman's Christian Temperance Union to make only such statements and give out such information as it can verify and of which it can produce proof. Through the 70 years of our history there has been built up a policy of accuracy which we expect always to continue.

I speak of this because an unauthorized press release which related to the subject under consideration by this committee has recently been issued. I repeat, we do not prejudice the action of a committee or an individual whether we agree or disagree. We are not responsible for that release.

The CHAIRMAN. Then it was not authorized by the national Woman's Christian Temperance Union?

Mrs. SMITH. No.

The CHAIRMAN. Or any local body, is that true, Mrs. Smith?

Mrs. SMITH. I presume not by any local body. I do not know of anybody that would make that statement.

The CHAIRMAN. All right. Do you have a prepared statement?

Mrs. SMITH. I have.

The CHAIRMAN. If you will just read it, then.

Mrs. SMITH. If you will pardon a personal reference, I will say, and my life work has demonstrated it, I believe, that I am open-minded. I study all sides of any question. I quote you, therefore, the statements of the liquor interests in most cases, rather than making my own comments.

First, gentlemen, I want to bring to your attention some statements which the alcoholic beverage industry are making about you—perhaps you do not read them as I do not read all of the things that are written about me. May I first call to your attention what they say about this investigation and I quote from Tap & Tavern of December 13, 1943 [reading]:

Up to this writing there have been no fireworks from the Senate committee. Its meetings have been behind closed doors. By the time open hearings get under way, probably before this appears, the committee members will have a line on conditions both in the District of Columbia and over the Nation. It is difficult to say which interests them most—the local situation or the plight of the trade and consumers in other sections.

Judging from their statements, members are more exercised about trade conditions in Washington than anything else. This is what really set them off, and from court cases and arrests noted in the paper, the members have something to go on when they discuss Washington conditions. Whatever happens over this country, the Washington tradesmen undoubtedly face a much tighter situation hereafter.

In the midst of all the criticism and verbal cross-fire, one of the big distillers decided to have a cory little party in Washington, just for some really big-wigs—who in the world do you suppose that is?—

it looked like the wrong move, but later word indicated that the distiller is interested in post-war trade opportunities in Latin America, and the party was really a sort of convivial post-war planning session.

Meanwhile, there is still some doubt as to how seriously to take the War Production Board's rejection for the second time of the idea of a beverage production period. There is no question that the War Production Board means what it says.

This column got the word direct on that point. But, it is now pointed out, the revival of the issue came from Members of Congress and they may not be inclined

to listen to reason, or at any rate, to reasons advanced by the War Production Board.

Gentlemen, I want to show you your picture which the Tap and Tavern has of you. I thought you would be very much interested, as I am, in what is going on. There is your picture.

(The picture was handed to the committee.)

Senator MURDOCK. It must be of the chairman. I do not recognize myself.

Mrs. SMITH. Very often, gentlemen, I do not recognize myself either but I never had the honor of being pictured by the liquor industry and you have.

The CHAIRMAN. It looks more like Senator Murdock than it does of me, I think.

Mrs. SMITH. I want to read you something from this editorial headed "Clear the air."

I would like to read you the whole editorial but I do not want to bore you that way. [Reading:]

And already there's talk of the possibility that, as a result of the investigation, Congress may press for resumption of production for beverage purposes to relieve a shortage situation that threatens to have drastic repercussions throughout the Nation. Talk in the Capital is to the effect that even though the War Production Board is against limited liquor production, Congressmen, when they learn the real facts and become convinced that rationing by distillers isn't a deep, dark plot to line their pockets with gold, may decide that the Nation's best interests will be served by permitting distillers to replenish their stocks to some extent.

Any resumption, naturally, cannot be undertaken at the expense of the war effort. That's why it would be foolish for members of the trade to bank on it. But if Congressmen, as the result of inquiry into industry practices, begin to think in terms of the trade's real problems rather than sensational headline-capturing charges—

I take it that is for the press—

the industry will have influential friends to see that beverage distilling is resumed when the first real opportunity presents itself.

Then it continues, but I will not read more of that, so may I pass on to my next one?

This is what they say about the shortage. You have perhaps seen this because it is from the Times-Herald of this city. You have seen this page, of course.

The CHAIRMAN. Yes; we have seen that.

Mrs. SMITH. Yes, and the liquor interests take a full-page ad in this shortage of newsprint. I am quite cognizant of the publishing business because I am publisher of two papers but the liquor interests can take a full-page ad in this shortage [reading]:

"How much whisky is there actually in storage?" The answer is, "Approximately 303,000,000 gallons." While the Alcohol Tax Unit of the Treasury Department, as of October 31, 1943, reported an inventory of 399,023,881 gallons originally put in barrels, 96,000,000 gallons have actually disappeared through soakage and evaporation, which leaves a net of about 303,000,000 gallons.

I would not dare to suggest but really, as a citizen, I would like to know what became of it when it evaporated. It must have poor storage.

May I pass on to my next item? This is from Tap & Tavern for January 10, 1944, but it is for the month of November and states that the figures are nearly the same. It is titled "Bonded Liquor Withdrawals Are Halved." [Reading:]

Although bottled-in-bond whisky withdrawn in November was only relatively little less than in the same month a year ago, withdrawals of the same class of whisky for the period of July-November, inclusive, 1943, were less than half than for the same months of the previous year.

Withdrawals of bottled-in-bond whisky in November totaled 1,689,119 tax gallons, compared with 1,127,188 tax gallons in November 1942. In the months of July to November, inclusive, withdrawals of bonded liquor in 1943 amounted to 4,097,221 tax gallons, whereas in the same period in 1942 they totaled 8,298,104 tax gallons.

IMPORTS MADE BIGGEST GAINS DURING 1943

Imports of whisky, brandy, gin and rum, besides other beverage liquors, from Latin-American or North American countries (Canada) showed tremendous gains in 1943, advance figures furnished the Gillette Senate Committee by the Bureau of Foreign and Domestic Commerce revealed last week.

These figures have not been made public generally, but the committee asked for them in order to have a complete picture of the alcohol situation.

They showed total brandy imports were 89,227 proof gallons in 1942, and 379,240 proof gallons in the months from January to August 1943.

The break-down of this total, to show North American sources, gives Mexico 292,280 proof gallons shipped to the United States in these months of 1943, in containers of more than 1 gallon, in place of 1942 shipments from that country amounting to 40,965 proof gallons. No other countries on this side are mentioned as supplying brandy.

Total gin imports reported for January-August 1943, were 3,743,873 proof gallons, compared to 63,529 proof gallons in all of 1942. Cuba contributed 3,160,867 proof gallons to the 1943 total, Mexico 489,505 gallons.

Whisky imports, in containers of 1 gallon or less, totaled 9,339,005 proof gallons in all 1942, compared with 9,784,360 proof gallons in 1941, and for the period January-August 1942, 4,400,015 proof gallons. For the same months of 1943, this total rose to 6,275,430 proof gallons.

Of the total, Cuba is credited with shipping 63,573 proof gallons in containers of more than 1 gallon, Mexico, the Virgin Islands, the British West Indies, including Jamaica, furnished varied small amounts. Other origins are not specified in the report.

Rum shipments vied with gin for honors in the 1943 figures.

Rum from Puerto Rico amounted to 2,600,125 proof gallons in the period January-August 1943, compared with 2,222,311 in the same period of 1942, and total of 2,745,322 proof gallons for all of 1942.

Rum from the Virgin Islands amounted to 1,156,399 proof gallons in the same period of 1942. Cuba shipped 1,415,617 proof gallons for January to August 1943, against 3,445 proof gallons in all 1942.

Varied quantities, and in varied sized containers, were noted for Mexico, Bermuda, Jamaica, other British West Indies, French West Indies, Haiti, and Curaçao (Dutch).

In addition, countries on this side furnished a variety of cordials, liqueurs, and other specialties.

Passing on to the next, this is also from Tap & Tavern for December 20, 1943, a very recent copy, you understand, and is entitled "We're in There Pitching, Say Hotel Heads—Philadelphians Deny Shortages Will Have Drastic Effect on Operations." [Reading:]

PHILADELPHIA, PA.—For the sake of those Philadelphians who were puzzled about the reactions of local hotel men to liquor shortages because of contradicting headlines in the Philadelphia Inquirer and Record, Tap & Tavern conducted its own survey—and our nod goes to the Record.

Last Thursday's Inquirer carried this alarming headline: "Hotels may close bars in liquor shortage," while the same morning's issue of the Record has this to say: "Big hotels deny bars will close." So it was a case of "You pays your money and you takes your choice."

To get a more consistent picture, we conducted a telephone survey and found that hotel heads are anything but alarmists. Daniel M. Crawford of Hotel Philadelphia assumed it up well for all the hotel directors when he said that, "So long as rationing continues and so long as hotels curtail their sales sensibly, there is no danger of bars closing."

Referring to operations at the Philadelphia, Mr. Crawford said, "We have curtailed hours to some extent. Instead of opening our cocktail bar at 9 a. m. and

closing at 2 a. m., we open at noon and close midnight. Our supper room closes at 1 instead of 2 a. m. We have enough wine to fill the demand."

Silvio, maître d'hôtel of the Rita-Carlton, asserted that no Scotch is being sold in the street level bar, but that otherwise the situation is well in hand. He indicated that the hotel had approximately 6 months' supply of rye whisky on hand and a plentiful supply of wine.

If anything of a sweeping nature is done to restrict sales, the mid-city hotels will act together, it was indicated.

The alcoholic beverage industry recognized the seriousness of the food shortage. Here is another article and this is from the December 20 issue of Tap & Tavern. It is entitled "Distillers Prepare for Drought," by Sidney B. Self, in Barron's National Business and Financial Weekly; so you see, gentlemen, I am keeping faith, I am not bringing in my own opinions, I am bringing you now an article from this great business paper [reading:]

But there is obviously a whisky-buying panic under way. Not only is demand from the public rich with war wages bigger than it has ever been, but whisky is an ideal commodity to hoard. At the moment it looks as though it was certain to rise in value, and most people who would hesitate to hoard anything else would not scruple to have a cellar full of whisky.

Must retain a backlog: Probably the distillers could sell out their total stock good for 3 or 4 normal years in less than a year, if they wanted to do so. But if they did, all of the profits would go into taxes, and there would be nothing left as a backlog to start post-war business over again.

Behind the whisky-buying panic are two factors which likewise have caused the distillers considerable concern. War requirements for alcohol are apparently going to be much larger than expected, and war and post-war needs for food grains loom bigger every day.

Alcohol is becoming the mainstay of the wartime synthetic rubber industry. Synthetic rubber is made from butadiene, a hydrocarbon chemical that can be produced either from petroleum or from alcohol made from grain. Now that the synthetic rubber plants are running it has been found that the degree of purity of the butadiene from alcohol is higher than that from some of the petroleum plants. At the same time the need for high-octane gasoline is preempting the petroleum products which are the starting point both for airplane fuel and rubber.

The food situation is another reason for gloom in the whisky outlook. The supply of corn for processing is short, and wheat is being used—reluctantly, because of its cost—as a raw material for making alcohol.

May I interpolate a personal comment, Mr. Chairman?

The CHAIRMAN. You may.

Mrs. SMITH. The trouble that is mentioned there is that it costs more. My trouble is that the world is hungry for bread and yet the liquor interests would use the wheat, as well as the corn, if they could. It lies with you, gentlemen, if they do.

Wheat and corn are two of the chief easily-stored food crops, and there seems little doubt that even if the war in Europe ends next year, there will still be an enormous drain on the country's food stocks.

American Distilling Co., which has about 250,000 barrels, is selling it to stockholders at cost, around \$30 a barrel. This has the advantage of letting shareholders cash in at present high prices. If the company continued to sell its whisky through normal channels, the total proceeds would not be half as much, because the bulk of earnings would go into excess profits taxes. When a company liquidates or sells out, taxes are paid under the capital-gains law, so that payments are proportionately much less.

As it is, American will continue making alcohol for the Government and will have \$8,000,000 in cash, as proceeds of the sales to stockholders, to start in business after the war. Even without reserves of old whisky this company after the war could do a profitable business in rectifying and blending, as many other companies did in the early days of repeal when bonded whisky was scarce.

Price was thing of past: * * * Dealers who suddenly found that they had to fight to get merchandise were no longer in a position to demand long credits, and this also lessened the burden on distillers' working capital.

Purchaser role of distillers: It might appear that the big distillers are using up the money they have accumulated by selling inventories over the past year or more in buying more expensive whisky from other companies. This is to some extent true. However, the whisky which they are buying can be sold during the wartime period of drought and there will be some advantage in the fact that it is costing very much more than their original stocks. Selling their old low-cost whisky means that most of the proceeds goes into excess-profits taxes. Higher-cost whisky will reduce profits and, therefore, taxes. At the same time, it will permit companies to hold their low-cost inventories and still keep a substantial part of their sales volume.

Inventory problem: * * * The distillers will at least have plenty of cash to use, whereas when they started up after several years to borrow a good deal of the money. In any event, the cost of raw whisky is less of a problem than the financing of accounts receivable. Whisky has been costing only around 50 to 60 cents a gallon (12 cents to 15 cents a quart) to make, and at times of low grain prices the initial cost has been only half this. The financing problem lies in the Federal excise taxes which become part of the selling price to dealers who must be financed.

The crisis period topic: The big uncertainty is how long the liquor supply will last. There are now about 400,000,000 gallons of whisky in storage, or at least there are about 8,000,000 barrels which were originally filled with 50 gallons each.

You notice they were originally filled—

Incidentally, about 80 percent or more of this stock is in the hands of the four big distillers, Schenley, Seagrams, Hiram Walker, and National Distillers.

Yet they still tried to increase sales.

Baxter tells of shortages in radio talk: Urges public not to deal in black markets; Guiney also speaks—

which is from Tap & Tavern dated December 6, 1943. I have other papers but these seemed rather to the point. [Reading:]

Like other commodities, "whisky is subject to the law of supply and demand. When it was realized that there was a whisky shortage, scarce buying ensued." Mr. Baxter said. "Consumers who normally kept on hand a bottle or two, felt impelled to lay in a reserve of several cases. Bootleggers and black marketeers, sensing a rich harvest, bought as much merchandise as they could lay their hands on."

He pointed out that the situation was aggravated by the fact that not a gallon of whisky had been produced since October 8, 1942.

"The fashion of the industry has been that as long as the Government requires its entire distilling facilities for the production of war alcohol, these facilities should be devoted 100 percent to that purpose. When the total facilities are no longer needed by the Government, the distillers feel that at least a partial resumption of the making of whisky should be granted in order to alleviate the critical shortage and its resulting evils."

* * * Five-bottle demand—two-bottle supply: He concluded with an admonition to the public that since we are faced with a five bottle demand and a two bottle supply, the only answer can be public cooperation and understanding—"and the relaxation on the part of the public that it must curtail its consumption of shisky just as it has had to curtail its consumption of other scarce commodities."

My hope, gentlemen of the committee, was that I might present here some possible leads for your further investigation of this industry. That is rather presumptuous, I admit, but again I prefer to take their own statements from their own mouths. This is also from Tap and Tavern, dated November 29, 1943, and is entitled "Wholesalers are urged to toe the line—Association warns them not to sell to black-market sources" [reading:]

Wholesalers must refrain from selling to persons who divert the merchandise to black markets, even if it means a sacrifice of extra profits. This was the essence of a message printed as an advertisement in Beverage Media and paid for by the Greater New York Wholesale Liquor Dealers Association.

The ad asserted that unless the practice is stopped, the entire industry will be the loser in the eyes of the public.

Headlined "Survival—or a Dead Pigeon"—the ad read:

"Tavern men, package store dealers, wholesalers, and importers are all faced with the same common problem—how much goods can we obtain from our suppliers?"

"The outlook is not too bright. The action of the War Production Board in refusing any production for beverage use, and talk of limiting the importation of Cuban and Caribbean rum, gin, or spirits, makes the supply situation more 'tight.' Limiting the supply of bottles to 65 percent of 1942, extended to the end of the year, and the shortage of cartons and caps makes bottling of bulk goods more difficult and uncertain. Further calls for manpower in our nonessential industry slows down operations."

I call your attention to the acknowledgment by this memorandum that they are a nonessential industry and that is a very serious question we face today.

As I listened yesterday to the committee on the question of the conscription of men and women; women who have never been conscripted in the United States before and women who are needed in their homes to protect the home, all of that [reading:]

Further calls for manpower in our nonessential industry slows down operations. Regulations of O. D. T. curtail deliveries.

Opposition to trade flourishes: Newspaper reports of Office of Price Administration violations, seizures of trucks taking merchandise from retailers in this market to other markets, and the reported inability of consumers to obtain legitimate merchandise at legitimate prices are encouraging opposition to the entire industry.

Considering conditions in other parts of the country, we in New York are in a very favorable position. But we should, and must, recognize our own respective responsibilities. After all, why complain about the shortage of merchandise and then sell to persons who take the goods to other markets? Why sell indiscriminately in any quantity, and then say we are not getting enough goods?

Answerable to customers: In the last analysis, we are all answerable to our customers—the public. It seems needless to point out that violations of this nature are detrimental to the entire industry, cause bad public relations, and to the firm or individual involved possible loss of license and a good-going business, and the financial loss of fines, penalties, etc. From a purely business basis, not considering ethics, laws or regulations, this seems too high a price to pay for a little extra profit, or even a large profit.

Is it necessary to show the foolishness, the fallacy, the dangers and the poor business policy of this method of operations?

Considering all of our difficulties and problems, if each and every one of us employs a proper and equitable rationing plan to fit our individual situation, all of us can remain in business and weather the storm. We must think this thing out, make our plans, budget and ration, play ball according to the rules, and "hew to the line."

That is the formula for survival.

Here is a brief article which I thought might interest you. It was in Tap and Tavern of January 3, 1944 and is from Philadelphia [reading:]

ONE THOUSAND BOTTLES LOST IN STATE STORE ROBBERY

More than 1,000 bottles of liquor and wines taken from a State liquor store at 324 South Second Street here—

that is, in Philadelphia—

during the holidays were valued at \$3,191.79 and included Scotch and rye whiskies difficult to get at most State stores here.

This was made known last week by Oscar Jacobs, manager of the South Philadelphia store, in an accounting to the first detective division at Fifteenth Street and Snyder Avenue. The store was one of three robbed over the holidays.

Here is some information from State administrators which is taken from a survey just completed by Allied Liquor Industries' Department of Public Information. These questionnaires were sent to the State commissioners and question No. 1 was:

Bootlegging and black marketing in the past 6 months in our State has—

here are the States: Alabama, Arkansas, California, Florida, Idaho, Iowa, Indiana, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Missouri, Montana, New Hampshire, New York, North Carolina, North Dakota, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin, and Wyoming.

Twenty-five percent of those States reported that bootlegging and black marketing in their States has not changed in the past 6 months; in 53 percent of those States they reported it had increased, and in 3 percent the report was it had decreased.

The second question that was on this questionnaire was whether such operations involved chiefly legal liquor, moonshine or "doctored" legal liquor. Fifty-seven percent of these States reported that it was legal liquor; 11 percent reported it was moonshine and 7 percent reported it was "doctored" legal liquor.

Now, gentlemen, I thought you would like to look at a picture that was in Collier's. It states here "Repeal did not cure evils of illicit liquor and bootleggers."

I thought I would read some of it. The title of the article is "The Rum Racket Returns," by Walter Davenport, and that will be the opposite of your speaker.

It talks about Joe. Joe is the old bootlegger.

We didn't recognize him at first, but it was Joe all right. Joe hadn't been around since the eighteenth amendment was repealed. Back in the late twenties, Joe, succeeded a guy named Tony, who was knocked off by Al Capone's mob on the eve of his appearance before a Federal grand jury, used to sell us popskull Scotch, rye, bourbon, gin and even champagne—

which meant swift cider. But he goes on, and I will not bother to read all of this, but he describes Joe's procedure.

The CHAIRMAN. I do not want to interfere, but we have all seen that, Mrs. Smith.

Mrs. SMITH. It comments in here about the menace to the armed forces and I tell you that hits hard into any woman's heart and any man's heart when they talk about our armed forces.

Gentlemen, I wonder if you know all that is being done to the armed forces of our country to make them the prey of the liquor dealers of this country? I have a long, long list which I did not bring but for your record I might, if you would like it, present the statements and other papers that I have which have been made in regard to the boasts of the brewers and distillers of the country as to how they are profiting from the young men in our armed forces and young women now, as well. They are bragging about it. They are bragging when these young men come home they will be their prey. I might have brought you over the Brewers' Journal which I have in my office, in which they go on to show that after the war period there will have to be different kinds of beer made and they will not know just what kind they want to make until the men come home and find out which kind of beer the men will like best. It is not because I am a prohibitionist. It is because I am a lover of humanity; because I love the women and

men. My grandson is in the Army. My son is too old to go in the Army, but he has given up his business and is working in a plant so he can contribute to the war effort.

(The statements and papers referred to above are as follows:)

Following are excerpts from an editorial in the Brewers' Digest of May 1941: "One of the finest things that could have happened to the brewing industry was the insistence by high ranking Army officers to make beer available at Army camps * * *"

"The opportunity presented to the brewing industry by this measure is so obvious that it is superfluous to go into it in detail * * *"

"Here is a chance for brewers to cultivate a taste for beer in millions of young men who will eventually constitute the largest beer-consuming section of our population."

"The present conscripted Army is the jealously guarded pride and joy of the entire Nation."

[From the American Brewer, September 1943, p. 18]

WHEN JOHNNY COMES MARCHING HOME

It is possible, for an example, that the young men now abroad may return with a taste for a greater variety of beers and that some brewers may prefer to produce at least two types of brews, dark and light, to answer the demand. The assumption is that brewing as an industry has reached a standard of industrial perfection that brewers will want to maintain. No one expects a substantial modification of the present legal requirements as to alcoholic content after the military authorities have practically put their stamp upon them by their recent decision to purchase 3.2 beer for the armed forces.

[From the Brewers' Journal, November 15, 1943, p. 44]

BEWARE OF THE VOICE OF THE PEOPLE

* * * And when I use the word "saboteurs," I do so advisedly.

What else would you call those retailers who get their names in the headlines for their sales after closing hours; their sales to minors and drunks; and their immoral attractions? What else would you call those retailers who refuse to correct conditions that are harmful to the morals and morale of our boys in uniform?

I have no figures to show the total number of man-days lost by our boys in the armed forces as a result of their contacts with that type of tavern, although it is reported by one Army colonel that in the small area under his control he estimates that the loss of Army training time would equal 100,000 man-days.

I have no figures to show the number of our boys who are serving their country in this World War by standing guard before taverns which our military officers have been compelled to declare "off limits."

But I do have the names and addresses of hundreds of taverns which have been declared "off limits," and in many places the assigned reasons are usually moral and medical. You might claim that this has little or nothing to do with the consumption of alcoholic beverages. Nevertheless, the publicity which this type of outlet is creating has very much to do with the public's opinion of our industry.

Mrs. SMITH. You know there is a lack of understanding of the Woman's Christian Temperance Union by a great many people and they are so complimentary as to think we can do most anything we want to and so for that reason, I think I am quite often the recipient of letters of appeal. I have here one of the most interesting I have seen for some time. I will not give you, if you don't mind, the name of the gentleman who writes it, but he is the head of a system of restaurants out in the Middle West—no, a little west of the Middle West, but in a place that is a summer-resort section of that part of the

country. No doubt you have eaten in his restaurants when you have been out there and I have a good many times.

This letter was written April 30 and it is protesting against points being given in restaurants or any places of refreshment for drinks that are made, even though they may not sell food, while he can have only one and if they do sell drinks, they get two sections. They get it for food and they get it for the drink. That, of course, you understand has been stopped but this is what I wanted to call your attention to because it might be renewed, but it is just indicative of those things that are being done. He states:

Although this complaint has been made—

and he said he had sent it not only to me but that he had sent a copy of it to the Senators and Representatives and some 250 newspapers and many other people; and will you take this as somebody else's word and not mine?—

It occurred to us that you through your organization might bring some pressure to bear on Washington with the idea of abolishing such an outrage—

We are not pressure folks but some people think we are. We do give you the facts and you do as you please about it. This was written in April. This question was decided and no longer are restaurants given points for just drinks but I call your attention to the fact that this letter and complaint was written in April and that finding and decision did not come until December and this man lost his summer's work, don't you see? He lost his summer's profits, all of that, and he does not have anything to amount to anything in the wintertime, so this man might have had, had there been action in our country, a citizen's normal profits in the business in which he has invested his money.

But this, I think, goes beyond anything. You can read that. It is entitled, "Tis Egg Nog—A new product of outstanding merit." This is the advertisement of the firm. That was sent to me by another man as an advertisement and I will read from their own paper [reading]:

We know you will be interested in the following information:

Pan-American Bomm, Inc., the manufacturers, advise us that in the eastern market, "Tis Egg Nog" is sold by all leading department stores, grocery, delicatessen, and miscellaneous stores. Famous stores, such as Macy's, Gimbel's, Marshall Field & Co., have achieved volume sales with "Tis Egg Nog. In a few months the R. H. Macy & Co. department store sold over \$10,000 worth—

Macy's is a dry-goods store. Of course, it is a general store, that is true, but you go up in Macy's in the escalator and look down and you will not see more than one man where you will see a thousand women. It is a woman's store, and that is where you buy your dresses and hats if you have got enough money to go to Macy's. That store sold \$10,000 worth in 1 month [reading]:

"Tis Egg Nog" is sold as a food product and therefore cannot be handled by liquor stores. It contains 15 percent alcohol by volume.

And I repeat that \$10,000 worth of it was sold to women in New York at Macy's store—just one more trap of the "wets" to get women to drinking; just one more.

The manufacturer wishes you to know that they have been informed by Washington that the item is not subject to any Federal or State liquor tax.

With 15 percent of alcohol in it to take into your body, whether you call it food or drink. Eggnog is a fluid, even though the eggs might have some value in them for food, but nevertheless women are enticed to drink this eggnog which contains 15 percent of alcohol and we talk about 3.2 beer and 14 percent wine and whisky and things of that kind; not as much as this, and yet the Government does not subject it to either Federal or State liquor taxes. There are some of those things which I might bring to you, many of them, if you desire.

The CHAIRMAN. You may introduce all of those in the record if you want to without reading all of them.

Mrs. SMITH. I am not going to read all of them.

I took this matter up with the Treasury Department at once as it was a tax question and I have here the correspondence with the Treasury Department that I could read you, if necessary.

I would like to call to your attention House Resolution 2272 under date of March 22, 1943, and I will just sketch through it [reading]:

The Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the Tivoli Brewing Company, of Detroit, Michigan, the sum of \$12,646.45, in full satisfaction of its claim against the United States for a refund of tax paid by such company on twenty-nine thousand and forty cases of fermented malt liquor sold to the War Department, during the month of January 1942—

in 1 month—

for consumption by members of the armed forces of the United States serving outside the jurisdiction of the internal revenue laws of the United States.

That means that they not only want to get our young men to drink but that means also the young women, which affects the winning of the war, for it interferes with their efficiency. They not only do that, but they do not even want to pay the taxes on it.

(The matter referred to above is as follows:)

They boast of partnership with Government.

In American Wine & Liquor Journal, New York, for July 1941, H. C. Hallam, Washington correspondent, writes of the latest sensation in Washington liquor circles, as follows, under the heading, "Brewers' Partnership":

"There has been considerable criticism among these trade representatives of a statement in a recent letter from R. J. Schaefer, president, United States Brewers' Association, to members of the brewing industry referring to recognition by the Ways and Means of the partnership that exists between the brewing industry and the Government and the economic necessity of maintaining this partnership on a sound business basis."

It is no secret that Ways and Means Committee members, Treasury Department officials, as well as representatives of other branches of the liquor industry that the brewers resent any suggestion of a partnership between Government and brewers.

Incidentally, trade representatives believe that such statements as those of Mr. Schaefer will be seized upon by representatives of the dry interests and used in their propaganda for the return of prohibition. One of the talking points of the drys has been that licensing of the liquor trade put it in the position of receiving Government approval, and certainly such approval is implied in any reference to "partnership." Dry propaganda based on the Schaefer letter might be used against wine and liquor interests as well as against the brewers.

The opinion generally expressed in Washington is that the Schaefer letter was very unwise, to say the least. Trade representatives believe that they will be lucky if they do not have to meet issues raised by this letter over a long period in the future.

[From Tap & Tavern, March 9, 1942]

BACK OF THE WASHINGTON NEWS

(By Lynne M. Lamm)

WAR PRODUCTION BOARD-BOUND?

Appointment of M. J. McNamara, vice president of the Distilled Spirits Institute and vice president of National Distillers Products Corporation, to an advisory post in the War Production Board on problems arising from conversion of the beverage distilled spirits industry to munitions alcohol production, and other emergency problems of the industry, has not been formally announced, but he is in Washington and busy.

[From Tap & Tavern, May 17, 1942]

TRADE COUNSEL NAMED OFFICE OF PRICE ADMINISTRATION PRICE ATTORNEY

CHICAGO, ILL.—Louis E. Kanne, who has been identified with the alcoholic beverage industry in the Middle West since repeal, has accepted an appointment as price attorney in the Office of Administration, Chicago metropolitan district.

During the early days of repeal, Mr. Kanne was attorney and supervisor of the Wholesale Code Authority under the National Recovery Administration and later became executive director and general counsel of the Illinois Wine and Spirits Institute. He has also held the position of Secretary of the Illinois Wholesale Liquor Dealers Association and vice president of the Amalgamated Beverage Congress of Illinois and legal adviser to the Spirits Club of Chicago.

[From Tap & Tavern, May 31, 1942]

GUINEY NAMED OFFICE OF PRICE ADMINISTRATION ADVISER—WILL COOPERATE ON PRICES, BLACK MARKETS, AND BOOTLEGGING

WASHINGTON, D. C.—Appointment of Timothy P. Guiney, president of the National Tavern Association, to an advisory position in the Office of Price Administration was announced last week by Prentiss M. Brown, Price Administrator.

Mr. Guiney, who was active on behalf of the retailers in obtaining more equitable price regulations, has long been considered one of the best informed men in the trade in the matter of prices, it was pointed out.

Mr. Guiney stated that he expects to cooperate with Office of Price Administration officials on all matters concerning prices, black market, bootlegging, and other activities affecting the welfare of his membership. He expressed his gratification with the appointment and stated that he had set an early date for conferring with Mr. Brown and other Office of Price Administration officials concerning the exact nature of his duties in Washington.

His appointment is strictly in the nature of advisory capacity and he will continue as president of the National Tavern Association, he said.

[From Tap & Tavern, August 9, 1942]

HEADED FOR SICILY—PROF. WESLEY A. STURGES

Former director of the Distilled Spirits Institute and professor of law at Yale University, who is now in north Africa as the chief representative there of the Office of Economic Warfare, has been selected by the State Department to have over-all charge of American economic agencies in Sicily when that island has been conquered. Mr. Sturges is expected to go to Sicily when the economic program is placed in effect there and coordinate the activities of the Office of Foreign Relief and Rehabilitation Operations, lend-lease operations, the activities of the Office of Economic Warfare in the procurement of strategic supplies and economic intelligence and the work of other American agencies.

[From Tap and Tavern, August 23, 1942]

SERVES IN NEW POST—JAMES F. BROWNLEE

President of Frankfort Distillers, who has been named Office of Price Administration Deputy Administrator in charge of prices. On leave from Frankfort, Mr. Brownlee was formerly head of the sales planning division of General Foods Corporation. He succeeds Donald H. Wallace, who has been Acting Deputy since the resignation of J. Kenneth Galbraith in June.

[From Tap and Tavern, September 20, 1942]

LIQUOR MAN INSPECTS ARMY TRAINING PLANES

NEW YORK, N. Y.—Philip J. Kelly, Carstairs general sales manager, has returned from a 15-day, 3,000-mile inspection trip for the War Training Service of the Civil Aeronautics Administration. Mr. Kelly was checking on the physical condition of training planes and on the supply of replacement parts in more than 25 training centers that are part of the Civil Aeronautics Administration War Training Service program to give indoctrination and flight courses this year for men in the Army and the Navy air forces.

"As a pilot in World War I and as a man with a background in the automotive business," Mr. Kelly said, "I was greatly impressed by the efficiency of the present training operation. A good job is being done in keeping the training planes in serviceable condition. Ground school and flight instruction are getting excellent results. The Army and the Navy are to be commended for making such good use of existing civilian facilities for training aviation personnel."

Mrs. SMITH. What I am about to present is at your command right here and no doubt in your own library. I am reading from the Brewing and Liquor Interests and German Propaganda report on hearings before a subcommittee of the Committee on the Judiciary, United States Senate of the Sixty-fifth Congress, second and third sessions, pursuant to Senate Resolution 307:

A resolution authorizing and directing the Committee on the Judiciary to call for certain evidence and documents relating to charges made against the United States Brewers' Association and Allied Interests and to submit a report of their investigation to the Senate.

I think this would be most remarkably interesting—it was to me, anyhow—when you do not have anything to do and cannot sleep, to read it.

THE CHAIRMAN. We have that.

Mrs. SMITH. I do not have any doubt of it.

THE CHAIRMAN. The main thing we desire, Mrs. Smith, are your suggestions. We have all of these exhibits.

Mrs. SMITH. I would suggest, Mr. Chairman, what we did then. You remember they investigated the German-American Alliance and they found evidence on the Brewers' Association. They investigated the Brewers' Association and they found this and you will find just exactly the same today, if you investigate it.

Let me read the last paragraph here:

That for many years a working agreement existed between the brewing and distilling interests of the country by the terms of which the brewing interests contributed two-thirds and the distilling interests one-third of the political expenditures made by the joint interests.

You see, the investigation of the German-American Alliance found out the Association of Brewers. The investigation of the brewers

found out the tie-up with political parties and that is exactly the same situation today, so I commend that to you.

This is the 1919 hearing and deals with both the brewing and the distilling interests.

Now, may I call your attention to this sort of thing that is going on? This was sent me by a woman who was a waitress and she was asked to sign this pledge in order to keep her job [reading]:

Application for Membership in the Hotel and Restaurant Employees' International Alliance and Bartenders' International League of America—

you see, the tie-up there, the hotel and restaurant employees brought in with the bartenders, which would not mean all of them, of course—affiliated with the American Federation of Labor and Canadian Trades and Labor Congress.

This woman wanted a position as a waitress and was asked to subscribe to this. She would have to join the union but it also included the Bartenders' Association.

Mr. Chairman, I have given you this statement and this material from the standpoint that the bill requires you to investigate some of the material that has certainly a backing, not of prohibition fanatics or anything of that kind, but the Woman's Christian Temperance Union represents the mothers interested as citizens, and 70 years of active service for the protection of the home from the interests that will destroy it, and which today is trying to bring to the attention of the people the great problem of juvenile delinquency to which there is so little, if any, reference to the relation of liquor to it. We beg of you that, as citizens of the United States, you will give your most careful, and we are quite sure it will be your honest endeavors in this matter, and that you will investigate this traffic, this business, which affects every citizen, affects us in every line of our social, our home, and our personal lives.

Thank you very much for the time that you have given me.

The CHAIRMAN. Thank you, Mrs. Smith. We are glad to have you with us this morning.

The CHAIRMAN. All right, Mr. Mattice, you may proceed.

TESTIMONY OF WILSON D. SANDERSON, HEAD OF THE BEVERAGE SECTION OF THE FOOD PRICE DIVISION, OFFICE OF PRICE ADMINISTRATION—Resumed

Mr. MATTICE. Mr. Sanderson, head of the Beverage Section of the Food Price Division, Office of Price Administration, was our witness all day on yesterday and had not finished at the time of adjournment. Before proceeding, I understand from him that he had some matter as to which he desires to make a correction or change and that is in respect to the question asked of you, Mr. Sanderson, about how many persons were on your staff.

Mr. SANDERSON. In answering the question about the staff of the Beverage Section, I stated there were nine people. I expected to elaborate on that, but as there was no opportunity to do so, I thought it well for the committee to know that what might appear to be an adequate staff, merely by number, should be qualified to this extent:

That, in experience, the head of the Section has been associated with the work for 20 months and one business specialist for 18 months.

In addition to that, we have two business specialists, one who started with us on the 15th of December 1943 and one who started on January 17, 1944, and two vacancies.

We have one economist who has been with us since the 1st of July, 1943; two price analysts who have been 3 months in this Section; two stenographers who have been there less than 2 months, and one vacancy.

These facts will perhaps indicate that the staff is not a large and experienced personnel and I might call attention to the headline in the Washington Daily News of Thursday, October 14, which stated: "Inadequate staff hampers O. P. A. liquor price control" merely as indicating that it is reasonably well known that we are endeavoring to do a rather complicated job under difficult conditions as to personnel.

Mr. MATTICE. Also, Mr. Sanderson, when you were asked yesterday as to who were present at the meeting at which the discussion of the price structure was under way, you made answer as best you could. You later handed me some lists which you have in your hand now.

I want to inquire whether those should be included in the record. The lists which the witness has do not purport to be lists of those who were present but it is a list of those in the industry who might have been invited to be present and some of whom were present; is that right?

Mr. SANDERSON. No. This is a list of those who were actually present. The question was raised in regard to the conferences of wholesalers and retailers before the inauguration of the mark-up regulation. These meetings were held in Washington May 7 and 8, 1943.

One of the members of the committee asked me to name some people who were present and from memory I cited three or four names. Then I returned to the office and secured the complete list of both the wholesalers and retailers which I will be glad to leave with the committee if it desires.

The CHAIRMAN. What is the significance of the check marks?

Mr. SANDERSON. There is no significance. They have no relation to the list. The list is used for getting addresses for other purposes.

The CHAIRMAN. There is no objection and they will be entered in the record.

(List to be inserted in record.)

OFFICE OF PRICE ADMINISTRATION CONFERENCE WITH WHOLESALERS OF DISTILLED SPIRITS AND WINES, FRIDAY, MAY 7, 1943, E. G. EVEN, CHAIRMAN

Government representatives:

Harry G. Banzhoff, industry consultant, Office of Price Administration.
F. R. Bauer, Jr., business specialist, Office of Price Administration.
G. L. Brinkmann, Beverage Section, Office of Price Administration.
Martin W. Bell, senior attorney, Office of Price Administration.
E. G. Even, head, Beverage Section, Office of Price Administration.
J. A. Fath, industry counsel, Office of Price Administration.
R. S. Garson, senior attorney, Office of Price Administration.
Owen James, chief counsel, Office of Price Administration.
Maurice H. Matzkin, Legal Enforcement, Office of Price Administration.
Audrey C. Robinson, investigator, Office of Price Administration.
W. D. Sanderson, Beverage Section, Office of Price Administration.
E. P. Wells, Chicago Chief of Trade Relations, Office of Price Administration.

Industry representatives:

Morris O. Alprin, counsel, Greater New York Wholesale Liquor Dealers Association, 420 Lexington Avenue, New York City.
 Vincent J. Andretta, New York State Wholesale Liquor Association, president, Cocoon Liquor Distributor, Inc., Kingston and Albany, N. Y.
 Hal J. Aronson, partner, Aronson-Dodd Co., Atlanta, Ga.
 Samuel E. Aronovitz, general counsel, Hudson Valley Distributors, New York State Wholesale Liquor Association, Albany, N. Y.
 J. B. Bell, general manager, Charles Ifield Co., Albuquerque, N. Mex.
 Jacob Berkehammer, treasurer, General Wine Co., Pawtucket, R. I.
 Joseph Billie, Popper Morson Co., 630 Fifth Avenue, New York City.
 Joseph Billups, general manager, LeSage Co., 2115 Griffin Street, Dallas, Tex.
 Clark W. Bishop, secretary-treasurer, Beverage Distribution Co., 2920 Van Alstyne Boulevard, Wyandotte, Mich.
 J. J. Blumberg, president, J. & J. Distributing Co., Newark, N. J.
 E. Gaynor Brennan, legal executive, Connecticut Wholesale Liquor Dealers Association, 105 Bedford Street, Stamford, Conn.
 F. J. Brichacek, president, Universal Wine & Liquor Co., Chicago, Ill.
 C. V. Brust, president, Judge & Dolph, Ltd., 700 West Dornak, Chicago.
 L. J. Buckley, sales manager, J. V. Tizani, Inc., Wilmington, Del.
 B. P. Calhoun, general counsel, Southern California Spirits Foundation, 620 Subway Terminal Building, Los Angeles, Calif.
 Van R. Coats, president, Delaware Importers, Inc., Wilmington, Del.
 Ray DeBowes, vice president, Austin Nichols & Co., Inc., Miami, Fla.
 Fred A. Caskey, general counsel, League of Distilled Spirits Rectifiers, Inc., 1140 Woodward Building, Washington, D. C.
 Patrick J. Curran, Liberty Liquor Inc., Massachusetts Association of Alcoholic Beverage, 183 Liberty Street, Springfield, Mass.
 M. V. Chism, president, Audubon Distributing Co., 817 West Market Street, Louisville, Ky.
 Samuel Colodny, sales manager, Globe Distribution Co., Washington, D. C.
 J. W. Connelly, Director of Connecticut Association, Connecticut Wholesale Liquor, 148 Allen Street, Hartford, Conn.
 Louis M. Deitch, president, Murvin & Sneed Sale Corporation, Washington, D. C.
 R. B. Denland, general manager, South Western Drug, Dallas, Tex.
 Carl E. Dietze, vice president, Wisconsin Liquor Co., Milwaukee, Wis.
 P. W. Faulk, owner, King Distilling Co., Jacksonville, Fla.
 Alexander Forman, president, Forman, Inc., Washington, D. C.
 Milton M. Friedman, president, Gold Seal Liquors, Inc., Chicago, Ill.
 Philip Glanzman, Philip Glanzman & Co., president and treasurer, Providence, R. I.
 Felix V. Goldsborough, Maryland Institute, Baltimore, Md.
 Edwin Grabenheimer, New Orleans Wholesale Liquor Dealers Association, New Orleans, La.
 James E. Grant, general manager, Cobb's Liquor Stores, Houston, Tex.
 A. J. Hammer, president, the Hammer Co., Cleveland, Ohio.
 Herman G. Handmaker, counsel, National Liquor Products Co., Louisville, Ky.
 Dolph Harteveld, Silbernagel & Co., Little Rock, Ark.
 Emmill Haseus, Peter Hauptman Co. (vice president), St. Louis, Mo.
 Joseph J. Heaphy, president, Connecticut Wholesale Liquor Dealers Association, New Haven, Conn.
 R. H. Hogg, Jr., president, R. H. Hogg & Co., Atlanta, Ga.
 J. W. Jackson, vice president and general manager, Western Wine & Liquor Co., Ninth and Jones Streets, Omaha, Neb.
 Harry Jacobs, general sales manager, Delaware Beverage, Wilmington, Del.
 Howard T. Jones, general counsel, Distilled Spirits Institute, Washington, D. C.
 Edgar E. Joseph, secretary and treasurer, Conard Co., Inc., Evansville, Ind.
 Edward Kahn, Maryland Institute Wine and Spirits Distillers, Baltimore, Md.
 A. G. Kellner, vice president, McKesson & Robbins, Inc., New York City.
 Frank Koehne, president, Milwaukee Wholesaler Liquor Dealers Association, Milwaukee, Wis.
 Milton S. Kronheim, president, Milton S. Kronheim & Son, Washington, D. C.

Max Kufferman, Galesworthy Co., Newark, N. J.
 Fred S. Kump, president, Kentucky Wholesale Liquor Dealers Association, Louisville, Ky.
 John H. Law, general counsel, National Alcoholic Beverage Control Association, 221 North LaSalle Street, Chicago, Ill.
 Lester H. Schreiber, executive secretary, New York State Liquor Authority, New York City.
 S. Loewenthal, manager-partner, Siegfried Loewenthal Co., Cleveland, Ohio.
 Harry L. Lourie, executive vice president, National Association of Alcoholic Beverage Importers, Inc., 700 National Press Building, Washington, D. C.
 R. McC. Bullington, chairman executive committee, National Alcoholic Beverage Control Association, Richmond, Va.
 Dennis L. Meachen, president, M. Carney Co., Massachusetts Association of Wholesalers and Importers, 49-61 Hampshire Street, Lawrence, Mass.
 Louis Milan, executive vice president, Wisconsin Wine and Spirit Institute, 119 Monona Avenue.
 Emil Nathan, Jr., executive director, Wine and Spirits Wholesalers of America, Security Building, St. Louis, Mo.
 Emil Nathan, executive secretary, Wholesale Liquor Dealers Association, St. Louis.
 R. Oakley, president, Gulfex Drug Co., Inc., Houston, Tex.
 Curtis H. Palmer, attorney, the Alfred Hart Distilleries, Inc., 1650 East Nadeau, Los Angeles, Calif.
 John C. Pappas, director, C. Pappas Co., Inc., Massachusetts Association of Alcoholic Wholesalers & Importers, Boston.
 Hyman Peckarsky, secretary-treasurer, Wisconsin Liquor Co., Milwaukee, Wis.
 Jay Phillips, president, Ed Phillips & Sons, Minneapolis, Minn.
 Harold D. Picker, vice president, Picker-Linz Importers, Inc., New York City.
 Roger Preston, vice president, Massachusetts Association of Alcoholic Beverage Wholesalers and Importers, and treasurer, S. S. Pierce Co., Boston, Mass.
 Santo Quattrin, executive secretary, Wholesale Liquor Distributors Association of Northern California, 55 New Montgomery Street, San Francisco, Calif.
 M. Gilly Reifer, president, Stienkey-Hoedscher Co., St. Louis, Mo.
 George C. Reuler, president, Reuler Lewin, Inc., Denver, Colo.
 M. H. Rieger, president, Philip Blum & Co., Inc., 501 West Chicago Avenue, Chicago.
 John J. Rodgers, Upstate New York Wholesalers, Graves & Rodgers, Inc., and Rodgers Liquor Co.
 E. Rosenberg, division manager, United Distillers of America, Ltd., Washington, D. C.
 Samuel Rost, owner, Crown Distributors, Miami, Fla.
 A. J. Say, Distilled Spirits Institute, 1137 National Press Building, Washington, D. C.
 John Schemminger, Jr., president, Eddy Fisher, Inc., Providence, R. I.
 Julius Scherpe, president, Texas Wholesalers, Dallas, Tex.
 I. William Schimure, Maryland Institute, executive secretary, 600 Tower Building, Baltimore, Md.
 T. H. Schneidau, president, Louisiana Wholesale Liquor Dealers, 800 Tahou-Ittrallus Street, New Orleans, La.
 Emanuel Squit, attorney, North Dakota Wholesale Liquor Dealers Association, First National Bank Building, Fargo, N. Dak.
 Simon Shlenker, Jr., president, local organization, New Orleans Wholesale Liquor Dealers, and F. Strauss & Son, New Orleans, La.
 B. G. Simplic, League of Distilled Spirits, 1140 Woodward Building, Washington, D. C.
 Slocum, New York.
 Ira Stein, vice president, Southern Liquor Distillers, Inc., Jacksonville, Fla.
 H. R. Stout, secretary and treasurer, General Liquors, Inc., South Bend, Ind.
 Joseph A. Tape, vice president, Greater New York Wholesalers, Brooklyn, N. Y.
 Harry G. Taylor, vice president and treasurer, International Distillers Corporation, 1119 Fourteenth Street NW, Washington, D. C.
 F. G. Tigani, secretary, J. V. Tigani, Inc., Wilmington, Del.

Joseph M. Tonkin, president, Wholesale Liquor Distillers Association of Northern California, 440 Ninth Street, San Francisco, Calif.
 Harry P. Woodward, president, Consolidated Distillers, Inc., Atlanta, Ga.
 Edward Wootton, manager, Washington office, Wine Institute, National Press Building, Washington, D. C.

OFFICE OF PRICE ADMINISTRATION CONFERENCE WITH THE RETAIL LIQUOR INDUSTRY, SATURDAY, MAY 8, 1943, E. G. EVEN, CHAIRMAN

Government representatives:

Martin W. Bell, Office of Price Administration.
 E. G. Even, chairman, Office of Price Administration.
 Harry G. Banzhoff, Office of Price Administration.
 G. L. Brinkman, Office of Price Administration.
 R. S. Garson, Office of Price Administration.
 Irving A. Koerner, Office of Price Administration.
 Harold Luce, Office of Price Administration.
 Maurice H. Matzkin, Office of Price Administration.
 A. C. Robinson, Office of Price Administration.
 W. D. Sanderson, Office of Price Administration.
 E. P. Wells, Office of Price Administration.

Industry representatives:

N. Adelson, cowner, Adelson Bros., 9815 Wilshire Boulevard, Beverly Hills, Calif.
 Harry Bloom, manager, Lake Street Liquor Store, 9 East Lake Street, Minneapolis, Minn.
 Aaron A. Bilger, executive secretary, Rhode Island Retail Liquor Package Stores Association, 362 Cranston Street, Providence, R. I.
 J. J. Bradley, executive secretary, Atlanta Retail Liquor Dealers Association, 777 Ponce de Leon Avenue, Atlanta, Ga.
 Benjamin Botwinick, chairman of board, Metropolitan Package Store Association, Inc., Park Central Hotel, New York, N. Y.
 Walter Brandies, president, Metropolitan Liquors, Inc., Sixteenth and Douglas, Omaha, Neb.
 Samuel H. Caplan, director, Greater Hartford Package Store Association, 350 Asylum Street, Hartford, Conn.
 J. M. Cole, manager, Magruder, Inc., 1138 Connecticut Avenue, Washington, D. C.
 Ross Collins (retailer) packages store on lower Delaware, Seaford, Del.
 M. J. Daniels, executive committee, Atlanta Retail Association, 10 Ellis Street.
 Manuel J. Davis, counsel, N. R. L. P. S. A., 729 Fifteenth Street, N. W. Washington, D. C.
 A. J. Day, District Spirits Institute, National Press Building, Washington, D. C.
 Gerald F. Dunne, executive director, Metropolitan Liquor Store Association, Park Central Hotel, New York City.
 Thos. T. Engel, president, Illinois Retail Liquor Stores Association, 5961 Madison Street, Chicago, Ill.
 Henry S. Epstein, president, North California Retail Liquor Dealers Association, 3416 East Fourteenth Street, Oakland, Calif.
 Nathaniel A. Fellman, chairman board of directors, Road Island Retail Liquor Package Store Association, 274 South Main Street, Woonsocket, R. I.
 M. Fielding, director, Chattanooga Retail Liquor Dealers Association, Main and Central, Chattanooga, Tenn.
 Adolph Geismar, president, Chattanooga Retail Liquor Dealers Association, 3305 Broad Street, Chattanooga, Tenn.
 C. D. Goldberg, executive director District Retail Liquor Dealers' Association.
 J. Howard Gordon, executive secretary and business manager, Delaware Retail Liquor Association, Inc., 2806 Market Street, Wilmington, Del.
 Joseph S. Gordon, treasurer, Minnesota Retail Wine and Liquor Merchants, 2630 East Lake Street, Minneapolis, Minn.
 Joseph Grannas, president, Retail Liquor Stores Association of California, 756 Chapman Building, Los Angeles, Calif.
 F. J. Griffith, executive secretary, National Association Chain Drug Stores, Vanderbilt Hotel, New York City.

Benny W. Haskell, manager, Haskell's Liquor Store, 39 South Seventh Street, Minneapolis, Minn.
 George J. Hurst, secretary, Massachusetts Package Stores Association, 11 Beacon Street, Boston, Mass.
 Don B. Irwin, counsel, Indiana Retail Alcoholic Beverage Association, Frankfort, Ind.
 Howard T. Jones, Distilled Spirits Institute.
 Mr. Benjamin Josephs, president, Massachusetts Package Stores Association, 288 Pleasant Street, Worcester, Mass.
 R. C. Kopf, assistant to executive vice president, R. H. Macy & Co., Herald Square, New York City.
 J. Laut, president, Indiana Retail Awetowie Beverage Association, Inc., 429 Columbia Street, Lafayette, Ind.
 Herbert A. Loh, Jr., vice president, Hillman's Inc., 28 West Washington Street, Chicago, Ill.
 Harry L. Lourie, executive vice president, National Association of Alcoholic Beverage Importers, Inc., 700 National Press Building, Washington, D. C.
 Abe Lyons, president, Low Package Dealer Association, 1532 West Walnut.
 Henry McCusker, president, Rhode Island Retail Liquor Package Stores Association, 285 Bullocks Point Avenue, East Providence, R. I.
 Ralph Maisans, president, Southern Connecticut Package Stores, 658 Grand Avenue, New Haven, Conn.
 William F. Martin, chairman of the board of directors, National Retail Liquor Package Stores Association, 1141 Columbus Avenue, Roxbury, Mass.
 Joseph C. Monaghan, president, Monaghan-Randels, Inc., 1708 Eye Street N.W., Washington, D. C.
 Leonard Moss, owner, Jacksonville, Fla.
 Charles O. Needle, executive director, Baltimore Retail Package Association, Inc., 106 East Baltimore Street, Baltimore, Md.
 John Nelms, A & A Liquor Stores, 4018 Ross Avenue, Dallas, Tex.
 H. A. Neull, president, Wohl Liquor Stores, Inc., 214 North Seventh Street, St. Louis, Mo.
 W. H. Nussbaum, president, Nussbaum Liquor Store, 61 Cortlandt Street, New York City.
 A. L. O'Hare, director, Illinois Liquor Stores Association, 311 East Fifty-first Street, Chicago, Ill.
 Zae L. Oppenheimer, vice president, Louisville Retail Package Dealers Association, 1132 West Walnut, Louisville, Ky.
 Howard Otten, vice president, Retail Wine and Liquor Guild, Lincoln Building, New York, N. Y.
 Jay Phillips, Waldorf Liquor Store, Fargo, N. Dak.
 Miller Prentice, board of directors, Louisville Retail Package Association, Miller Liquor Stores, 1634 Millard Avenue, Louisville, Ky.
 Fred P. Rapp, president, Fred P. Rapp, Inc., 1450 South Vandeventer, St. Louis, Mo.
 Joseph L. Regan, 272 Jackson Street, Lawrence, Mass.
 Anthony V. Rettalata, president, Baltimore Retail Package Association, Inc., 1407 North Charles Street, Baltimore, Md.
 George D. Roberts, committeeman, Massachusetts Package Stores Association, 11 Beacon Street, Boston, Mass.
 S. P. Rucker, director, Chattanooga Retail Liquor Dealers' Association, 406 Market Street, Chattanooga, Tenn.
 Maurice L. Ross, Jr., president, Otis & Lee, 211 West Madison, Chicago, Ill.
 F. W. Scharfenstein, owner, Continental Wine-Liquor Co., 1215 South Claiborne, New Orleans, La.
 L. H. Schreiber, executive secretary, New York State Liquor Authority, 420 Lexington Avenue, New York City.
 Emanuel Squit, attorney, group of retailers, First National Bank Building, Fargo, N. Dak.
 Leon Shaikon, secretary, Louisville Retail Package Dealers Association, 708 Realty Building, Louisville, Ky.
 Herman C. Silverstein, counsel, N. T. Retail Liquor Stores Association, 591 Summit Avenue, Jersey City, N. J.
 William D. Singer, treasurer, South East Liquor Association, 200 Flagler Street, Miami, Fla.

Edward L. Sliney, president, Metropolitan Boston Retail Package Store Association, 18 Tremont Street, Boston, Mass.
 Albert Susman, owner, Centennial Liquor Stores, 4228 Live Oak Street, Dallas, Tex.
 Tom Taylor, chairman, board of directors, Ustate New York Liquor Package Store Association, 193 Lyelland, Rochester, N. Y.
 Romeal Theriot, owner, R. Theriot Liquor Stores, 537 South Peters Street, New Orleans, La.
 Carl E. Walker, owner, 200 East Eighth Street, Jacksonville, Fla.
 Harry C. Wechsler, president, District of Columbia Retail Liquor Dealers Association, 3657 Georgia Avenue N.W., Washington, D. C.
 Leon J. Wylegala, past president, 1075 Broadway, Buffalo, N. Y.

Mr. MATTICE. I believe the chairman received a communication in the mail this morning which might be pertinent to the inquiry here.

The CHAIRMAN. I have not had time to digest it yet. It is from the Muscat Grape Growers' Committee, 815 Helm Building, Fresno, Calif., signed by H. A. Savage, secretary and attorney, in which he makes some pretty strong accusations that I have marked.

If you will take the letter, Mr. Mattice, and read it to the witness and then if he has any observations to make, we will be glad to hear them.

Mr. MATTICE. I will take it paragraph by paragraph [reading]:

I will try to give you the information which you desire, but I might say that this matter is of such vital importance to the San Joaquin Valley and all branches of the grape industry that it would be very beneficial and desirable if someone could be sent here to secure the documentary data in its complete form, not only for present use, but for future reference. If the business of the small local wineries, and there are several hundreds of them in California, is to be preserved, it can only be through services of committees like Senator Van Nuys' and by giving the facts, to the public.

War Food Administration ordered all raisin-variety grapes dried in the eight major grape-producing counties for the year 1943. Raisin grapes are Thompson Seedless, Muscats and Sultanas. The Government fixed a price Thompson Seedless of \$155 a ton, from which is deducted hauling and tests, etc., so that the grower received an average net of about \$153 a ton. It takes four tons of fresh grapes to make a ton of Thompson Seedless raisins, so the Thompson Seedless grower received \$38.25 on a fresh basis. Muscats are on about 4-to-1 ratio at 22 percent sugar, the price being \$165 a ton, less hauling and tests, etc., giving approximately \$163 a ton net, and on a 4-to-1 basis, \$40.75 per ton for fresh grapes. Production of Sultanas is negligible, but the price of Sultanas was slightly less than the Thompsons.

I will stop here if you care to make any comment on it, though it may be something that is within or without your experience or knowledge.

Mr. SANDERSON. The figures are substantially correct. Those prices are set by W. F. A. as to raisins.

I have here the summary bulletin of the California Crop and Livestock Reporting Service issued jointly by the United States Department of Agriculture and the California Department of Agriculture, and it shows that the return to the raisin producer was \$163 on a dry basis for raisin-variety grapes dried into raisins, which produced a total return to the grower of \$59,984,000, as compared with a dried price of \$113 in 1942 or a net return of \$28,702,000.

Some raisin varieties were marketed fresh. On those, the grower received this year \$68 per ton as compared with \$39.90 per ton last year.

That will merely substantiate the fact that Mr. Savage has used correct figures.

Mr. MATTICE. Yes. I will continue reading:

On two or three occasions the Office of Price Administration warned the wineries that a ceiling would be placed on wine on a basis of \$30.30 per fresh ton of grapes used for wine purposes. In this connection you should recall that muscat grapes are the highest in sugar and are worth more for wine or brandy than any other variety, their sugar content ranging from 22 to 30 percent, and when fully ripe average about 28 percent.

Does anything occur to you in connection with that paragraph, Mr. Sanderson?

Mr. SANDERSON. Merely that Mr. Savage is attempting to indicate to you gentlemen that \$30.30 would have been the basic price for muscat grapes which, of course, is not correct. Our basis for determining the wine price was on an average return to the grower for all types of grapes used for crushing into wine of \$30.30. It might have been made up of an average of \$40 and \$20.

Mr. MATTICE. It was an average?

Mr. SANDERSON. It was an average. We did not say that muscat grapes should be \$30.30 or anything like it.

Mr. MATTICE. I will continue:

Thompson seedless also are very high in sugar, and when ripe run from 22 to 25 percent, the average being about 24 percent sugar. Normally about 400,000 to 500,000 tons out of the normal 1,200,000 to 1,400,000 tons of raisin-variety grapes go to the wineries. The W. F. A. drying order, therefore, deprived the wineries of about one-half of their normal supply.

Mr. SANDERSON. That is substantially correct. The raisin varieties grown in the State of California range from 1,200,000 to 1,500,000 tons. It was approximately the latter figure this year. Last year only 95,000 tons of raisin varieties got into wine production out of about 1,250,000 tons. This year, it is questionable whether the figure will be quite as large as that. W. F. A. took all the raisin-variety grapes and made this raisin-drying program which the growers followed through and did a very fine job on, from all accounts, using all the raisin-variety grapes for raisins.

Mr. MATTICE. You put that in the past tense; that they took all the raisin grapes last year for raisins. The fact is, they did not.

Mr. SANDERSON. The fact is as I have just said.

Mr. MATTICE. A large quantity of them were diverted later to the wineries?

Mr. SANDERSON. No. I I said in 1942 a total of 95,000 tons of raisin-variety grapes reached the wineries.

Mr. MATTICE. In 1942.

Mr. SANDERSON. And in 1943, when the figures were available, it was my impression the figure would be slightly less than that. In other words, it might run 85,000 tons.

Mr. MATTICE. Did not the Food Administration set up an enlarged program on raisins?

Mr. SANDERSON. Yes.

Mr. MATTICE. They wanted more raisins than they had in previous years?

Mr. SANDERSON. Yes.

Mr. MATTICE. And did they not urge the grape growers to enter into that program and produce more grapes than normally for the purpose of that program?

Mr. SANDERSON. They required all raisin-variety grapes in the named eight counties in California to be confined to drying for raisins. The crop was fortunately larger this year. The production was substantially higher even than anticipated due to the increased crop.

Mr. MATTICE. I assumed that you and your section did not have anything to do with that and that it was handled by the Food Administration?

Mr. SANDERSON. That is entirely correct.

Mr. MATTICE. You had some knowledge of it and knew about it at the time the matter was up?

Mr. SANDERSON. Such knowledge as I have of these matters, I am very glad to give to the committee while I am here, with the understanding I am not speaking officially.

Mr. MATTICE. We understand, and the reason I am asking you about it is that on yesterday you said you had spent considerable time in California and you seemed to have a general knowledge of the grape industry. We understand a good deal of this is outside your particular section.

Mr. SANDERSON. That is correct.

Mr. MATTICE. I will continue reading the letter:

It would probably be of interest for you to know that the California wineries make mostly sweet wine of 40 to 42 percent proof, and as in the ordinary fermentation of natural grapes, only about 10 percent alcohol is securable. The wineries must make brandy, which runs from 190 to 195 proof, in sufficient amount to fortify the natural wine, bringing its alcoholic content up to 20 to 21 percent alcohol, or, as we say, 40 to 42 percent proof. It takes as many grapes to make fortifying brandy to make the finished sweet wines as it does for the wine. Any of the fortifying brandy can be made into regular liquors of the brandy varieties, as, undoubtedly, you well know. They dilute the fortifying brandy about one-half and you have 95 proof brandy such as muscat brandy and any other of a number of others, and this fortifying brandy can be mixed with various brands of whisky and other liquors. It is altogether too potent to drink in its native form.

Do you have any knowledge on the subject mentioned there?

Mr. SANDERSON. I have a very substantial amount of knowledge and the statement is reminiscent of certain other statements that we have heard here which might be characterized as a maximum of verbiage and a minimum of factual and pertinent information.

I will make the same comment on this: There is a certain amount of factual information there, but it is not anything that I would like to go in and try to completely defend.

Mr. MATTICE. One thing that is true is that the distillate from fruit may be used with and blended with whiskey and that is permitted to be done?

Mr. SANDERSON. Fruit spirits may be used; yes, sir.

Mr. MATTICE. A spirit is a spirit no matter whether it is made from fruit, sugar, or grain?

Mr. SANDERSON. There are certain half truths in that statement.

The CHAIRMAN. What is the half truth?

Mr. SANDERSON. The general indication that the wine is made by the production of commercial brandy and adding the two together, producing a high proof combination. I think it is not a fair statement of the method of making wine, as I know the business. However, as I said, I would rather not be drawn into commenting on

Mr. Savage's description, which I do not think is a complete description but rather perhaps glosses over certain things very quickly.

Mr. MATTICE. What is meant by "fortifying wine"? What is the mechanics of it?

Mr. SANDERSON. The mechanics of it is the addition of a percentage of brandy spirits which are specially produced by distillation processes to the fermenting grapes at the time just prior to the completion of fermentation. This arrests fermentation and to retain in the wine the required sweetness. The sugar remains unfermented and is stabilized so that it will not ferment out later. It is more or less a preservation of the unfermented sugar in the grapes by the presence of alcohol or brandy spirits. The Federal regulations require that the fortification, so-called, of any fruit wine be done with the spirit of the fruit from which the wine is being made.

Mr. MATTICE. Does it increase the alcoholic content, that process?

Mr. SANDERSON. Of course it does.

Senator MURDOCK. May I ask this question. Is the fortification of wine exclusively for the purpose of arresting the fermentation and preservation of the sugar content?

Mr. SANDERSON. Yes; that is a correct statement.

Senator MURDOCK. And not for the purpose of increasing the alcoholic content, do you say that?

Mr. SANDERSON. I say that; yes, sir. It is merely the production of a variety of wine in which the sweetness of the grape is maintained and not allowed to ferment out entirely as it does in the production of the dry or table wines.

Senator MURDOCK. Is that the only process that is used for the production of sweet wines?

Mr. SANDERSON. That is the only one that is allowed in the State of California. Certain of the States allow the addition of sugar which can be fermented. In the State of California and under the California pure food and drug law, that addition of sugar is not allowed and the maintenance of the original sugar sweetness of the grape must be effected by stopping fermentation through the use of the addition of the fruit spirits.

Senator MURDOCK. If you did not stop fermentation, then you would have nothing but dry wines?

Mr. SANDERSON. Then you would make dry wines. The sugar would all ferment and you would have a dry wine.

Senator MURDOCK. That is all, Mr. Mattice. I beg your pardon for the interruption.

Mr. MATTICE. The next paragraph reads:

Now to the direct picture. I think Senator Robert Taft led the fight against Office of Price Administration in its effort to eliminate trade brands, but, at any rate, the general conclusion was reached, by the aid of Schenley's and the rest of the group at Washington, that no ceiling would be placed on case goods, that is, wine in bottles and in cases under established brands, below the March 1942, and highest ceiling price. For those large wineries like Roma, Italian, Swiss, and others who had their established case brands, this meant they could sell, by bottling their wines in cases, at a price approximately \$1 a gallon, and with wine at this price they could afford to pay from \$125 to \$150 per ton for juice grapes; the whether raisin varieties or wine-grape varieties would make little difference. The Office of Price Administration had a ceiling on bulk wines of 32 cents a gallon at the time grape harvest started in California in August 1943. There are several hundred small California wineries, but there are probably 30 wineries with a

Senator FERGUSON. I would just like to have it as a fact. Were the prices in the East high enough so they could pay \$120 and make a profit?

Mr. SANDERSON. That was an entirely individual matter.

Senator FERGUSON. Do you know of any prices that were high enough in any cases where they could do that?

Mr. SANDERSON. Yes, sir. We have several brands on file in which the established March price of an eastern bottler would be sufficiently high so that he might paid have a high price for grapes and still come out even. He might not have profited by it but he might have been able to come out even.

Mr. MATTICE. Supplementing that, Mr. Sanderson, the next paragraph:

As soon as one or two eastern bottling and distributing plants started this program, others followed, and the price of juice grapes went from \$50 a ton up to as high as a \$120 ton, at the very end of the season, for cull emperors, which are the least suitable of any variety of grapes for wine. The general price for wine grapes, however, climbed from \$50 until it was common to pay for malagas, usually our lowest price grape for table or wine, an average of about \$80 a ton.

I personally drew one contract for malagas, including culls from packing houses, and the grapes were very low sugar, where the winery paid \$90 per ton roadside, and I personally received \$92.50 per ton for cull emperors; that is, the rejects from the packing houses where they were packing them for table use.

Does any comment occur to you on that?

Mr. SANDERSON. No. I will make this comment for the record so that it will be understood that the difference on the cost of grapes at \$30.30 and at \$120 on a case of fifths would figure up to \$2.70 a case. Our ceiling price in the regulation is \$4.73 for a case of fifths, f. o. b. California.

A bottler in the East or any other processor who happened to have a ceiling price in the neighborhood of \$7.50 would obviously be able to absorb the difference between \$30 and \$120 if he so wished; so that you can see the possibilities which existed for this type of operation.

Mr. MATTICE. Then those growers of raisin grapes or rather that part of those grapes not taken into the drying program and converted into raisins, and which grapes finally went to the wineries, were disposing of a product that was worth, according to the prices then being paid, the much larger figures of \$75 and \$80 and \$100 a ton? In other words, they were raisin grapes but being diverted from the raisin field into the winery field. They were worth just as much as grapes grown for the winery business, were they not?

Mr. SANDERSON. All the raisin varieties raised in the eight counties were under the control of the Government. A Government agency had charge of all of them. It was a Government agency that handled the redistribution of them into the winery, so preferably I would not comment on the operations of another agency.

Mr. MATTICE. I understand that.

Mr. SANDERSON. But I suggest that you get that information from that agency.

Mr. MATTICE. But the crop was large in 1943 and it was larger than was expected?

Mr. SANDERSON. That is right.

Mr. MATTICE. And the Food Administration probably got as many raisins as they hoped to get?

Mr. SANDERSON. Yes.

Mr. MATTICE. But there were still some grapes that were earmarked for the raisin program that did not go into food?

Mr. SANDERSON. That is always the case. There is a certain amount that can not be properly dried, due to the location on the margin of the vineyards, because of a certain amount of loss caused by rain falling on the trays in the course of drying.

Mr. MATTICE. They did not have that trouble in the 1943 season, did they? It was not a rainy season.

Mr. SANDERSON. It was not a rainy season; no, sir.

Mr. MATTICE. So that does not enter into it. I have reference to raising grapes which did not go into the raising program, not for any of the reasons you mentioned, but for the reason that the Food Administration failed to provide the growers with drying trays and facilities for dehydration, and so forth, and, as a result, the grapes hung on the vines and lost the water content and, therefore, lost weight. Do you know about that, generally?

Mr. SANDERSON. Generally; yes.

Mr. MATTICE. And those were the grapes that later, through the other agency to which we have referred here, were diverted to the wineries?

Mr. SANDERSON. Yes.

The CHAIRMAN. Gentlemen, the President of Venezuela is going to address the Senate this noon, and I think we had better rise until 2 o'clock.

(Whereupon, at 12:10 p. m., a recess was taken until 2 o'clock p. m. this day.)

AFTERNOON SESSION

TESTIMONY OF WILSON D. SANDERSON—Resumed

The CHAIRMAN. All right, Mr. Mattice.

Mr. MATTICE. The next paragraph, Mr. Sanderson, is as follows:

The Government, War Food Administration, and Commodity Credit Corporation did not furnish wooden trays, dehydration facilities, or boxes as they had promised the farmer, and many thousands of tons of muscats could not be sun-dried for this reason. The dehydrators could not take them, and they dried on the vines—did what we call raisined to such an extent that they could not be dehydrated, all through no fault of the growers who had trusted the Government. War Food Administration directed these growers to deliver these grapes to the wineries and agreed to pay the growers \$35.50 per ton. War Food Administration, however, failed to pay the growers \$35.50 per ton. In the meantime, War Food Administration sold these muscats on a net basis of \$75 per ton, with an additional price of \$3 per sugar point above 22 percent, and as these muscat grapes 80 per ton and the grower got only \$35.50. On the open market these muscat grapes would have brought \$100 a ton from any winery. As humorous as it may seem, the outcome of this situation was that the medium-size wineries got more than a normal percentage of the decreased tonnage and paid probably on the average about \$75 to \$80 per ton. The big tonnage and paid probably on the average about \$30 to \$35 per ton for juice wineries like Roma held back buying while Office of Price Administration was shouting its head off that if anybody paid more than \$30.30 per ton for juice grapes they were bound to take the loss. The scheme seemed to be a good one, but they did not completely close the circle, so the damage to the farmer and other medium-size wineries this year was not great.

Do you have any comments with respect to that paragraph?

Mr. SANDERSON. My only comment would be to again repeat what I have said, that any remarks in connection with the grape situation in California are outside of my immediate province, that this is entirely a W. F. A. matter, and that I have heard relatively the same statements made through other sources.

Mr. MATTICE (resuming):

The appalling aspect of this plan was the elimination of small and medium winery competition, going to Washington and getting the orders, which the big distillers believed meant the death knell of small- and medium-sized wineries, which would have resulted in the farmer getting only about 40 percent of what the grapes were worth. The wineries and farmers fear that Roma and the distillers, who have been in the industry for years, will use their political connections to get the general consensus of opinion in California to give them a monopoly control. They have purchased the major big wineries in California. The distillers, who have purchased the major big wineries in California, have dominated and controlled the Office of Price Administration that they pretty much write their own tickets and the fact that their own ticket did not win for them was their own short-comings, because Office of Price Administration certainly did all it could to help.

Office of Price Administration did not dare put a ceiling of \$30.30 on wine grapes to the farmer, but thought it was getting the same result by putting a ceiling on bulk wine on a basis which would not allow the small and medium wineries to pay more than \$30.30 per ton.

Does anything occur to you in connection with that statement? Shall I read it again?

Mr. SANDERSON. No. I should say it was perhaps permissible slander, if such a thing is possible under Government rules, to make a statement of that kind and have it read into a public record.

Speaking definitely for O. P. A., I protest strongly against the admission, even, of a statement of that sort in an inquiry of this kind, a direct charge against the integrity of a department of the Government.

On behalf of O. P. A., I deny the whole allegation.

Mr. MATTICE (continuing):

We have heard out of Washington so often that we must protect small business. Only last night over the radio came the news that Senator Taft was fighting to preserve the 2,000,000 small businesses in the United States, which were vital to themselves from the employee class to owning their own business. The wine industry is especially true of the wine and brandy business of California, and if the wine and brandy industries and medium-size wineries are to be saved here, they must be protected by the Federal Government. The Federal Food and Drug Administration and Office of Price Administration, must be broken, because as soon as they are broken, the tentacles spread over the wine industry like an octopus, and to the price of juice grapes. We can remember when the California Wine Association controlled this industry. We got from \$5 to \$10 a ton for our grapes for

All of the raisin grape growers of California know that, if the wineries who normally take 40 to 50 percent of the raisin grapes put the price low on wine grapes, the price of raisins will be proportionately low. The whole California grape industry, involving an investment of over \$300,000,000 and furnishing the livelihood directly and indirectly to over 300,000 people, and with an annual average production of 2,300,000 tons of grapes per year, will suffer.

About 60 percent of our raisin production can go into raisins and be consumed in the normal trade channels, as statistics for the past 6 or 8 years will show. Therefore, both as secretary and attorney for the Muscat Grape Growers' Committee, and as chairman of the State-wide Committee of Grape Growers of California, we urge you to be diligent in examining the facts as they confront us here; that this peril which hangs like a cloud over our entire industry may be dissipated before it ruins us; and the only time to head off a monopolistic control of prices in the grape industry is before monopolistic will dominate the

industry. Your committee is doing a very fine work, and both the Muscat Grape Growers' Committee and the State-wide Committee of Grape Growers of California. I am sure, will help you to the utmost.

Is that substantially correct, that about 60 percent of the raisin production goes into raisins?

Mr. SANDERSON. Yes; that is substantially correct. Out of 2 500 000 large crop, 1,500,000 tons is raisin variety of grapes.

Mr. MATTICE. (continuing):

If time permits and you want the general statements herein made substantiated by copies of news releases in the papers in reference to Office of Price Administration's part in this travesty on free business enterprise, we will be glad to supply this information. If you want more details, we will be glad to furnish them. The following is a summary of the so-called coordinators committee release. We find that the coordinators committee, being made up of growers and raisin processors, and the raisin processors' association, which Malcolin Watson had the local manager of War Food Administration, Mr. Malcolin Watson had, one continuing fight to prevent Shenley's raisins from being dried in the sun, and that the raisin processors' association had been told that all the raisins that had been dried in the sun were to be released, which Malcolin Watson and the raisin growers committee had canceled. They got this release out of Washington. I am sure you will find it interesting. The main reason why crop raisins were not released was announced, if that is the main reason why crop raisins were not released, was that the Commodities Credit Corporation, was that Shenley and some of the big distillery interests insisted that they have a monopoly control on all rain-damaged raisins which had been dried in the sun for the past 3 years' release to divide these raisins in proportion to the past 3 years' release of the medium and small wineries. As humorous as it may seem again, and contrary to normal expectancy and despite post-scientific knowledge, the God of Weathers did not seem to have any part in this. I did not get any news of the release of the raisins made plans of mice and men gang out to get the raisins released. The raisins were released in the circle for the next year, but the small and medium wineries of California, and the some 25,000 grape farmers of California certainly do not want to trust again to the hands of the Distillery Trust, which is the same as the circle for the next year, and the raisins were released by the weather.

We believe that if you would come to California for 10 days with a power of subpoena, and with the cooperation of the California Grape Growers' Committee and the Statewide Committee of California and many members of the official Government selected Raisin Raisinators Committee, that you would get enough documentary control that Congress would appreciate your efforts and the stevedores of the Distillery Trust in the control of the California wine industry would be checked, and the several hundred small and medium wineries in California would be permitted to live; and the 25,000 grape growers of California might in the years to come secure a living price for their grapes. If we can be of further assistance in this regard please command us. It is our daily bread.

Now, have you any further comment?

Mr. SANDERSON. I would repeat that the allegation relating to any control or influence, or anything, by any individual, company, or group, or anything else, in O. P. A. is entirely improper.

I might also add that the Office of Price Administration would appear to be the proper place for this entire matter to be submitted if it is a question of adjusting either grape prices or wine prices, that we have the machinery for so doing. We have, as I have pointed out to the committee, we have a plan under which applications for amendment to the regulations can be handled in an orderly and legal manner.

I might add as to the plight to the grower, merely to clear the record, that the same report from which I read this morning indicates that the growers of California received for wine varieties in 1943 an average of \$77.90 per ton, or a gross return of \$43,365,000, as against the 1942 corresponding figure of \$31.20 per ton, or a gross return of \$14,789,000; that for table grapes the growers received this year an average of \$102 per ton, a return of \$50,796,000, as against an

average of \$44.70 for 1942, or a gross return of \$18,262,000. I read this morning the figures on the raisin prices.

The inference, of course, is obvious that the return to the grower this year was in all cases in excess, and in the case of wine varieties and table varieties, was in excess of 100 percent over last year.

In the case of raisin varieties sold fresh or raisin varieties dried, there was a substantial increase.

Mr. MATTICE. That was not so with respect to the grapes of the raisin variety growers which finally went to the wineries because they only got \$35 a ton for them.

Mr. SANDERSON. The returns here on raisin varieties dried is on a dry basis, \$163, which is a little over \$39 per ton on a fresh basis. I am not in a position to say whether the \$35 figure is correct.

Mr. MATTICE. What I mean is this, that those growers of the raisin variety of grapes who had committed themselves to the War Food Administration program of processing them into raisins and who were not able to complete that process and whose grapes were taken off their hands by the Commodity Credit Corporation and turned into the wineries, which wineries made wine out of them, were not able to sell their grapes at the then prevailing prices.

In other words, they could be used for wine and they were used for that purpose but they didn't get the money for them that other growers of grapes got.

Mr. SANDERSON. Nor did any other grower of raisin grapes. The entire crop was taken over by W. F. A. Every raisin grower committed himself to support the program.

Mr. MATTICE. And if he hadn't he would have been free to sell his grapes as others sold them.

Mr. SANDERSON. Yes. The raisin grower knew in advance that all the raisin grapes were to go into this raisin program and the grower, very patriotically, we will say, got behind the program. He agreed to put everything into it.

Mr. MATTICE. And he did do it, and he did go through with it.

Mr. SANDERSON. He went through with it. I think the statement as to the failure to provide the complete program of dehydration may be correct. At least my indirect information would lead me to believe that. Certain growers, therefore, state that the grapes instead of going into raisins went into other uses. But they had already agreed with the Government to put them in the raisin program. So they were in the position, because something happened to the program, and someone else was able to profit by it—they didn't make a profit. They never expected to make it in the first place.

Mr. MATTICE. That doesn't change the picture. If you are raising grapes and I make a contract to furnish them to me in connection with a certain program, and I fall down in my part of the contract and I am not ready and I tell you I can't take those grapes off your hands in accordance with our contract, I at least should release you and let you sell them to the best advantage, and in that case you could have sold them for around \$100 a ton, but instead of that I hold you to the contract and make you deliver those grapes to me at the low price, and then I turn around and sell them.

That is what happened.

Mr. SANDERSON. Excepting one of the contracting parties was the United States Government.

Mr. MATTICE. But that doesn't change it, the fact that the Government is a contracting party. The Government should live up to its contract.

Mr. SANDERSON. That is true, but having contracted to deliver the grapes to the Government at an agreed price, that ends any possibility for considering any further profit. If the Government makes another profit, that is another story.

Mr. MATTICE. But of course you recall that the contract to deliver the raisin variety of grapes to the Government at an agreed price was under certain conditions which were specified in that contract, one of which was that the Government would provide certain facilities for the drying of the grapes, which the Government didn't do, we are told, and thus they made it impossible for the grower to carry out the program.

Mr. SANDERSON. One can sympathize with the grower who saw somebody else make the money. I agree with that thoroughly.

Mr. MATTICE. What you are saying is that they got enough as it was.

Mr. SANDERSON. No.

Mr. MATTICE. Well, in effect.

Mr. SANDERSON. I have never said that the level of the price was enough or too little. It was set by W. F. A.

Mr. MATTICE. Let me ask you about another phase of that grape situation out there. I asked you this morning concerning when the California grape raisers were informed. If they were informed, that the ceiling prices on wines were going to be made on the basis of \$30.30 for juice grapes, and I made reference to the meeting at Fresno of July 30, which you attended, and also present were Franklin Gindick, of the O. P. A. national office in Washington; R. S. Garson, Legal Division, O. P. A. regional office, Washington; A. N. Harrison, Food Section, O. P. A. regional office, San Francisco; Donald R. Rush, Fruit and Vegetable Division, F. D. A., San Francisco; Malcolm Watson, Sr., industrial Specialist, F. D. A., Fresno, Calif.; and over which meeting Mr. Gindick presided in the forenoon session and you presided at the afternoon session.

Now, I have here the minutes of that meeting. They are very voluminous and I have just in the time I have had since adjournment this morning glanced over them and I find in there no reference at all to the price of \$30.30. I do not undertake to say that it may not be in there, but I can't find it if it is. But I want to call your attention particularly to this, in the afternoon session, at which you were presiding, and at which time the matter of grape prices and wine prices was under discussion, and at which time Mr. Donald R. Rush was introduced to the meeting. This was the meeting at which some 400 were present. Is that right?

Mr. SANDERSON. That is right.

Mr. MATTICE. And at which time then, after such introduction, Mr. Rush said this, or this in substance:

I don't know if any price has been decided upon in Washington. Although the men who were back there were coming back with a program all determined—but they came back without one. I know it isn't your fault.

He was speaking to the assemblage there, wasn't he?

Mr. SANDERSON. Yes.

Mr. MATTICE. (continuing):

Table grapes—we haven't given much consideration to it for the reason that we have had so many other troubles. We ask you growers to supply us with information that will help us make recommendations to our Washington office. The following is the information we would like to have:

1. Prices, by varieties, returns growers had last year.

2. Any recommendation you have with respect to price this year.

I call attention to that language because it indicates that no price had been fixed or determined upon at that time. It was still to be done in Washington after this July 30 meeting. Isn't that the size of it?

Mr. SANDERSON. That is correct as to table grapes. He is talking about the ceiling on table grapes.

Mr. MATTICE. All right.

Mr. SANDERSON. He is also talking for W. F. A., not O. P. A.

Mr. MATTICE. I understand. He is the representative of the other agency, that is true.

Now, that same afternoon, in that same session, this question was asked by someone in the audience: "How soon do you expect to put this ceiling on?" And to which you made this answer, in substance:

We don't know—as soon as possible. Our plan is that before we leave here week after next. Generally it takes from 1 to 2 weeks after it is finally completed until it is in effect. We will try to have it in approximately 3 weeks.

So it had not been done yet at that time, had it?

Mr. SANDERSON. No.

Mr. MATTICE. Now, following that this was asked:

When this ceiling is placed on grapes—whatever the price is—and the grower can sell at a higher price to a vintner—is he subject to fine and imprisonment? Will that ceiling price be frozen to a grower?—Juice grapes?

To which you made this reply, in substance:

Have an f. o. b. roadside ceiling frozen. If the grower sells higher, he is subject to a penalty.

Do you recall that?

Mr. SANDERSON. That is, to say the least, abbreviated.

Mr. MATTICE. Yes. What I am wondering is, and I want to ask you this, whether a man sitting in that audience wouldn't understand that if he had some grapes and a ceiling was placed, and the wineries came around and offered him more money, he would be subject to a penalty if he took the larger amount. That would be my understanding of it.

Mr. SANDERSON. Now you have gotten down to where they are talking about juice grapes. Just what we were talking about makes quite a difference.

Mr. MATTICE. Well, the heading in that section is "Wine grape program."

W. D. SANDERSON. How can we relate a ceiling price on wine grapes to a wine program of that sort—and we would like to have your advice as to its division by areas and varieties.

And then the question was asked: "How soon do you expect to put this ceiling on?"

So the subject under discussion was wine grapes.

Mr. SANDERSON. Ceilings.

Mr. MATTICE. Wine grape program, it is labeled there.

I am wondering if those assembled there wouldn't have gotten the idea that they might be put in jail if they sold to a vintner if they were in, or found them placed in the other category, of having to carry out the table grape program, or a grape drying program. I suppose what they had in mind was these raisin grape growers.

Mr. SANDERSON. No; they were definitely talking there about a ceiling on wine grapes. If they sold over the ceiling price, they would be subject to penalty for violation of the ceiling.

Now, at the time of that meeting the imposition of a ceiling on wine grapes was under discussion, as to whether it was practical or not. Subsequent to the conclusion of the meeting it was impossible to establish ceilings. It required the concurrence of the W. F. A. and that concurrence was never given. So no such ceiling could be placed.

The obvious answer was that any grower, or any other seller, who sells in excess of a ceiling price is, of course, subject to the penalties. The ceiling on grapes for crushing into wine was never placed. The ceiling on table grapes was placed.

Mr. MATTICE. Never at any time was a ceiling put on the wine grapes?

Mr. SANDERSON. That is right. There is a difference between the two, you see, wine grapes and grapes for crushing into wine. Grapes can be used in three different ways.

Mr. MATTICE. Now, with danger of repetition, I want to ask again so as to be sure we understand it.

The ceiling that was placed on wine, that is, on the finished product, that goes to the consuming public, that ceiling, it was thought at the time you were considering these matters, would control the price of the grapes from the grower to the vintner?

Mr. SANDERSON. It would have some effect in controlling.

Mr. MATTICE. You thought that that would manage the control that would be necessary and it would not be necessary, therefore, to put a ceiling price on the grapes themselves. At least that was the thought, wasn't it, at the time?

Mr. SANDERSON. That was the action taken.

Mr. MATTICE. Well, that was the discussion at that meeting. It was said that it was thought by O. P. A. that the placing of a ceiling price on the finished product would take care of the situation with respect to the grapes from the vineyards.

Mr. SANDERSON. That is too broad a statement for me to say "Yes" to, but subject to qualification that it would have some effectual control, it would partially control, that was the opinion; yes, sir.

Mr. MATTICE. Now, to review, and perhaps it is repetition, but I think the chairman was not present yesterday when we were discussing this subject, the question was asked previous to the hearing at which you first attended how these California vintners could pay \$77 a ton for grapes in view of the wine ceilings, and you explained to us yesterday that those who had established brands, and were permitted under the O. P. A. pricing schedule to charge up to the price at which their brands were selling in March 1942 could afford to pay that much.

Am I correct in that?

Mr. SANDERSON. Yes. That follows very largely what I said this morning. The difference between \$30 and \$120 in the dessert wine price comes to approximately \$2.70 per case of fifties. Consequently,

a very wide difference in the seller's ceiling price would permit a very considerable additional payment for the grapes.

Mr. MATTICE. Only those who had those prices as of March 1942 could possibly pay that much for grapes and come out on it.

Mr. SANDERSON. It is a fact, as I said yesterday, that no one who paid the high price for grapes and attempted to sell the current wine at the price shown in here, could pay greatly in excess of \$30.30, because our pricing is based on that. It contains a margin. By absorbing all the margin they could break even and pay a little more than \$30.30. They could not pay the top prices that have been named in this testimony.

Mr. MATTICE. Now, we are understanding, of course, that your section did not have to do with it. Why do you suppose that press release which was put out by O.P.A. on September 1 or 2, 1943, warning vintners in California not to pay more than \$30.30 a ton did not specify that it applied to vintners other than those who had those prices based on March 1942?

Mr. SANDERSON. The press release, of course, didn't contain that warning in those words.

Mr. MATTICE. It was just a general warning to all vintners—wasn't it?

Mr. SANDERSON. It was a warning to vintners reading this way:

A flat price to be established for bulk and package wines will be based on a \$30.30 average return to the grower.

Those were the words used. That in no way, can I see, is a statement to anyone, vintner or anyone else, that a ceiling of \$30.30 existed on grapes, or that it was either wrong or criminal to pay a different figure. It was warning them that when it came to figuring on the wine prices, the wine prices would be based on that figure, and obviously anyone who wanted to pay more would have to find a way to absorb it.

Mr. MATTICE. All right, sir.

I believe, Mr. Chairman, that is all I have at the moment.

The CHAIRMAN. Let us clean up one little thing here, Mr. Witness. In the New York Herald Tribune of today, January 20, page 16, in big headlines, there appears "Inquiry Hints Distilleries Pay O. P. A. Officials."

Now, I think I was the one that examined you on that subject yesterday, wasn't I or, the day before?

Mr. SANDERSON. Yes.

The CHAIRMAN. And you assured me that none of your staff were dollar-a-year men; is that right?

Mr. SANDERSON. That is correct.

The CHAIRMAN. You said that two of them, Mr. Brownlee and somebody else—

Mr. SANDERSON. Mr. Budde.

The CHAIRMAN. Mr. Budde, that is right, were formerly with distilling outfits. Who was Brownlee with?

Mr. SANDERSON. Mr. Brownlee was president of the Frankfort Distilling Co. Mr. Budde was formerly treasurer of T. W. Samuels & Co.

The CHAIRMAN. Is the Frankfort Distilling Co. a subsidiary of any one of the four big distillers?

Mr. SANDERSON. Since Mr. Brownlee's connection with O. P. A. and his severance of relations with the Frankfort Co., the Frankfort Co. has been purchased by Sagram distillers.

The CHAIRMAN. Did he assist in that sale? Is he here today?

Mr. SANDERSON. He is not here today.

The CHAIRMAN. He is the one that engineered the sale, isn't he?

Mr. SANDERSON. If you will accept hearsay evidence, from my personal acquaintance he had nothing whatever to do with it.

The CHAIRMAN. With the sale?

Mr. SANDERSON. That is right.

The CHAIRMAN. To the large distiller?

Mr. SANDERSON. Yes. I make that subject to his confirmation when he is here.

The CHAIRMAN. Now, Mr. Budde, he was with that concern, Brown-Forthin, is that it?

Mr. SANDERSON. Originally with Brown-Forman; later with T. W. Samuels.

The CHAIRMAN. Is either one of them subsidiaries of any of the four big distillers?

Mr. SANDERSON. No, sir.

The CHAIRMAN. Neither one of them?

Mr. SANDERSON. No, sir.

The CHAIRMAN. Is Brown-Forman a large distilling company?

Mr. SANDERSON. It is one of the large, medium large independent distillers.

The CHAIRMAN. How did you happen to call for Mr. Budde in your department? Put him to work, I mean.

Mr. SANDERSON. Oh, the search for men of experience in the industries leads us to every possible source. Mr. Budde, having left the distilling business by the fact that Samuels Co. had sold out, was available, and having no connection with the industry, and yet having had this extensive experience, he was an ideal man for our work.

The CHAIRMAN. What was his work with the distilling company?

Mr. SANDERSON. The last connection he was, I believe, treasurer and general sales manager. He has had extensive experience throughout the industry.

The CHAIRMAN. But you are quite positive that none of your staff are also on the pay roll of any distilling company, is that right?

Mr. SANDERSON. That is right.

The CHAIRMAN. The reason I ask that is because there are some other departments in O. P. A. and W. B. P. where that condition prevails. You know that, don't you?

Mr. SANDERSON. Dollar men?

The CHAIRMAN. Yes.

Mr. SANDERSON. Might be.

The CHAIRMAN. Drawing their original salary, as high as \$50,000 a year, and working down here for the Government at a dollar a year, and you can draw your own inference where his interest is. I am not going to make any comment.

Mr. SANDERSON. We have no such condition.

The CHAIRMAN. You have no such condition in your set-up?

Mr. SANDERSON. No, sir.

The CHAIRMAN. I wanted to clear that up for the record.

All right. Call your next witness, Mr. Mattice.

Mr. MATTICE. Mr. Epstein.

TESTIMONY OF HAROLD EPSTEIN, CHIEF OF THE AGRICULTURAL COMMODITIES BRANCH, FOOD ENFORCEMENT DIVISION, OFFICE OF PRICE ADMINISTRATION

(Witness duly sworn.)

Mr. MATTICE. You may give your name, Mr. Epstein.

Mr. EPSTEIN. Harold Epstein.

Mr. MATTICE. Are you connected with one of the government agencies in some capacity?

Mr. EPSTEIN. I am. I am employed by the Office of Price Administration.

Mr. MATTICE. And what is your position there?

Mr. EPSTEIN. I am the chief of the Agricultural Commodities Branch, Food Enforcement Division.

Mr. MATTICE. How long have you held that position?

Mr. EPSTEIN. Since April 1943.

Mr. MATTICE. And prior to that time were you with the agency, or did your service begin then?

Mr. EPSTEIN. No; my services began with the Office of Price Administration on the 5th of October 1942.

Mr. MATTICE. And in what capacity did you serve between October and last spring?

Mr. EPSTEIN. I was employed as an enforcement attorney in the national office of the Office of Price Administration.

Mr. MATTICE. Here in Washington?

Mr. EPSTEIN. That is correct.

Mr. MATTICE. I take it then that you are an attorney by profession?

Mr. EPSTEIN. I am.

Mr. MATTICE. How long have you been in the law business?

Mr. EPSTEIN. I was admitted to the bar in the State of California in 1937. I engaged in the private practice of law continuously from that time up until October of 1942, at which time I entered Government service.

Mr. MATTICE. Came to the office of Price Administration?

Mr. EPSTEIN. That is correct.

Mr. MATTICE. Then I judge you have had something to do with the enforcement side of the activities of the Office of Price Administration?

Mr. EPSTEIN. That is correct. With respect to certain commodities. Mr. MATTICE. Give us a picture of how that is set up, whether it is all handled in Washington, or whether you have districts or divisions or regions, and how is that done?

Mr. EPSTEIN. The continental United States is divided into eight regions for our purpose. We have regional offices in the following cities: Boston, New York, Cleveland, Atlanta, Dallas, Chicago, Denver and San Francisco. Within those eight regions we also have district offices of which there are approximately 100.

The enforcement activity to a large extent is decentralized to the regional and district offices, in order to facilitate the handling of the volume of enforcement activity which the agency engages in. In the national office the enforcement department is organized along certain commodity lines, the various divisions being assigned to particular commodities. The divisions in turn are broken down into certain branches, again along commodity lines. We also have a division

which is in charge of litigation as such. That Division is denominated the Litigation Division.

Mr. MATTICE. Does that have to do only with such matters or does that deal with both?

Mr. EPSTEIN. It deals with both. The actual handling and prosecution of criminal matters is handled by the Department of Justice.

Mr. MATTICE. Yes.

Mr. EPSTEIN. The Office of Price Administration does the investigatory work and the preparation of the case and then transmits the case to the United States attorney.

Mr. MATTICE. In short, if you discover a violation you can't prosecute it yourself, and you have to turn it over to the United States attorney of the district in which the thing occurs?

Mr. EPSTEIN. That is true with respect to criminal prosecutions.

Mr. MATTICE. I mean as to criminal prosecutions.

Mr. EPSTEIN. That is right. As to civil matters, the O. P. A. attorneys themselves represent the Price Administrator, who is plaintiff in those actions.

Mr. MATTICE. Now, has the volume of that sort of thing been large, extremely large, or otherwise?

Mr. EPSTEIN. What do you mean by that, sir?

Mr. MATTICE. Whether you have had a great deal or not.

Mr. EPSTEIN. Of litigation?

Mr. MATTICE. Yes, or violations, and reported violations.

Mr. EPSTEIN. Yes, there have been a great deal of both.

Mr. MATTICE. And with respect to the force that the Price Administrator has for the purpose of handling those matters, in relation to the volume of the matters?

Mr. EPSTEIN. That has been one of our greatest difficulties.

Mr. MATTICE. What was difficult about it, that you are understaffed or overstaffed, or what?

Mr. EPSTEIN. That is the point that I want to make.

Mr. MATTICE. Yes.

Mr. EPSTEIN. We have a provision in our budget for approximately 2,800 positions for investigators. At no time are all of those positions filled. There is a certain amount of turn-over. So that at any given time our investigating staff may number somewhere between 2,600 and 2,700. That staff is called upon to investigate charges of violations of all O. P. A. regulations with respect to all commodities, all commodities under price control, all rationing violations or commodities under rationing, and rent violations.

That number, I might point out, amounts to considerably less than an average of one investigator per county throughout the United States, for all of the numerous commodities under price control and rationing. It is an inadequate staff and in many instances it becomes necessary to place our investigators on certain commodities for a period of time and then pull them off and put them on other commodities.

Mr. MATTICE. In other words, you conduct campaigns in different fields as the need arises?

Mr. EPSTEIN. That is correct.

Mr. MATTICE. Lately have you done some work along that line in the field of alcoholic beverages?

Mr. EPSTEIN. We have done a considerable amount of enforcement activity with respect to distilled spirits, wine, and malt beverages. The manpower difficulty there has been most acute because it necessitates the withdrawing of investigators from their work on the strictly cost-of-living commodities, such as meat and butter and eggs and poultry, and putting them to work on liquors and wines.

Mr. MATTICE. Have you been doing more than the usual amount of work on the liquor side of it lately?

Mr. EPSTEIN. We have done more during the past 4 months than we have before.

Mr. MATTICE. What did you find, generally speaking?

Mr. EPSTEIN. We found a substantial amount of violations of various characters among persons engaged on the industry at all levels of distribution and production.

Mr. MATTICE. Now, let me inject right there, you had some idea that those violations existed even before this recent examination into the subject, did you not?

Mr. EPSTEIN. That is correct.

Mr. MATTICE. But at that time, I judge from what you say, most of your personnel was engaged on other aspects of the Price Administration activities?

Mr. EPSTEIN. Well, of course, they still are. That is still true. In other words, the instruction which we give to our people in the field is that they are to utilize available manpower, if it is available, or if it can be spared from the other and more vital commodities, for the investigation of liquor, beer, and wine violations. To do a thorough job on liquor, beer, and wine we would have to have a considerably larger staff assigned solely to that work.

Mr. MATTICE. What have you done in conducting the work, say in the last 4 months, whether you have concentrated on one area or territory, or was it widespread over the country?

Mr. EPSTEIN. Why, it has been fairly widespread throughout the country. In some areas more has been done than in others. Early in May we commenced an investigation of the large distilleries, which consumed a period of several months. We investigated the wholesalers, retailers, breweries, and as a result of our investigations we brought in the vicinity of 800 legal proceedings, or the settlement of legal proceedings without the necessity of bringing formal legal action. We now have pending treble damage actions which aggregate in the vicinity of \$25,000,000, involving overcharges in the sale of distilled spirits. Those actions will proceed to trial in due course.

Mr. MATTICE. Now, going back to what you first said with respect to the types of investigation, you mentioned distillers. What did you consider there was to investigate about the distillers, what was the thought?

Senator WHERRY. May I ask a question right there before he answers that? Does O. P. A. try lawsuits?

Mr. EPSTEIN. We try the civil actions. We do not try the criminal cases. Those are tried by the United States attorney in the Department of Justice. We try the civil suits with our own legal staff.

Senator WHERRY. And that \$25,000,000 you estimated represented the actions you have now filed?

Mr. EPSTEIN. Civil actions involving alleged overcharges in the sale of distilled spirits.

Senator WHERRY. It is not against one distiller?

Mr. EPSTEIN. No, sir.

Senator WHERRY. How many actions are there?

Mr. EPSTEIN. It involves probably 18 to 20 actions, or thereabouts. There will be more coming, I anticipate.

Senator WHERRY. How much of a legal staff do you have?

Mr. EPSTEIN. I don't have the exact figures here on our legal staff. It is not a very large staff and they have a lot of territory to cover. Most of them are grossly overworked and are trying to do a herculean job, working very hard, to cover the various commodities under their charge.

Senator WHERRY. Have any actions been terminated yet?

Mr. EPSTEIN. With respect to liquor?

Senator WHERRY. Yes.

Mr. EPSTEIN. Yes.

Senator WHERRY. Have you made any recoveries?

Mr. EPSTEIN. Yes, we have.

Senator WHERRY. How much in dollars?

Mr. EPSTEIN. Upward of half a million dollars.

Senator WHERRY. Were those against large distillers?

Mr. EPSTEIN. No. So far the actions which we have pending against the large distillers have not terminated. They are still in process.

Senator WHERRY. What were they, overcharges that you made your recovery on?

Mr. EPSTEIN. That is correct. We have one suit pending down in Louisville, Ky., which will proceed to trial in the very near future involving very close to \$7,000,000, in connection with the sale of whisky over the ceiling price.

Senator WHERRY. For how long a time have those suits been brought? Is that just a late thing, since this committee started, since we started this investigation?

Mr. EPSTEIN. No; this has been going on for a long time.

Senator WHERRY. How long?

Mr. EPSTEIN. The suit that I last mentioned was filed in February of 1943. Several of the other large suits were filed in November of 1943 and the very early part of December, all pursuant to a long-range enforcement program, which as I mentioned, was instituted back in May.

Senator WHERRY. You say you are greatly handicapped with regard to personnel?

Mr. EPSTEIN. Yes, sir.

Senator WHERRY. How many people do you have working for O. P. A.?

Mr. EPSTEIN. Well, I don't know what the total personnel of O. P. A. is. I mentioned that there were approximately 2,800 investigators provided for by our budget.

Senator WHERRY. That is for food and everything?

Mr. EPSTEIN. All commodities—food, clothing, gasoline, fuel oil, industrial materials, rationed commodities, and rent. In other words, all of the commodities within the charge of O. P. A., price-wise, rationing-wise, and also the rent matters, have to be investigated by the 2,700 or 2,800 investigators. I mentioned before that our budget calls for 2,800 investigators, but that due to a certain turn-over in

personnel, at any one time we may have as low as 2,700, or something between 2,600 and 2,700.

Senator WHERRY. Do they all work out of Washington?

Mr. EPSTEIN. No. That is all decentralized. They work through our district and regional offices.

Senator WHERRY. Then you have other employees under their direction and supervision?

Mr. EPSTEIN. Well, we have other employees over them. The investigators operate under the supervision of attorneys and we have attorneys in our regional and in the district offices. The attorneys direct and supervise the work of the investigators, review the information which the investigators collect, to determine whether or not there is valid evidence and sufficient evidence to predicate legal action.

Senator WHERRY. Are any of these 2,700 attorneys?

Mr. EPSTEIN. There may be some.

Senator WHERRY. All of O. P. A. has about that many attorneys, doesn't it?

Mr. EPSTEIN. I have no information as to the number of attorneys in the employ of O. P. A.

Senator WHERRY. Is there any shortage of attorneys to prosecute these cases? In the Budget Bureau I think the testimony was that the O. P. A. had between 2,700 and 2,800 attorneys on their pay roll.

Mr. EPSTEIN. Well, I might say this, that all of those attorneys are not in the enforcement department. That is, whatever the number of attorneys is, they are spread over other departments in O. P. A. There are attorneys in the price department, who participate in the writing of the regulations, act as counsel to the price officers with respect to price actions. The same is true in the rent department and in the rationing department, both in the national office and in the field. So that whatever the total number of attorneys in the employ of O. P. A. is, only a percentage of those attorneys are available for the prosecution of these cases in court.

Senator WHERRY. Then your testimony is that you do not have enough attorneys and you do not have enough investigators to properly enforce the price regulations established on whisky and distilled alcoholic spirits, and so forth, is that right?

Mr. EPSTEIN. Yes. I say that in order to do a thorough job on liquor, beer, and wine we would have to have an additional staff to assign to that work. As it now stands we pretty much have to pull people away from other commodities in order to put them to work on liquor, although I might add that we have engaged in a considerable amount of enforcement activity, as I mentioned to you, with the staff that we do have perhaps in some instances at the expense of some other commodities.

We have tried to do as much as we can on liquor, beer, and wine with the staff we have.

Senator WHERRY. Do you work in conjunction with the Department of Justice?

Mr. EPSTEIN. Yes.

Senator WHERRY. When you make an investigation and you uncover a civil violation and there are criminal violations as well, what do you do then?

Mr. EPSTEIN. Well, in some instances we may choose between bringing a criminal action or civil action. In some instances we

may bring both. That is, we may refer the criminal action to the Department of Justice and the United States attorney and institute a civil action on our own account. In those cases we usually discuss the matter first with the United States attorney to find out whether he has any objection to a duplicate proceeding being brought. Some United States attorneys have some reservations along that line.

Senator FERGUSON. You mean the local United States attorney in the district in which the crime has been committed?

Mr. EPSTEIN. Yes.

Senator FERGUSON. Who decides whether or not you will bring a criminal action?

Mr. EPSTEIN. That is decided initially by our enforcement attorneys in the district office with the approval of the enforcement attorneys in the regional office. The matters are then sent into Washington for post-audit but the decision is originally made in the field, and the case is transmitted to the United States attorney, and if he feels that it is a proper case for criminal prosecution, that the evidence is available, a criminal prosecution will follow.

Senator FERGUSON. Do I understand then that the attorneys decide whether or not there has been a crime rather than the statute?

Mr. EPSTEIN. Well, the attorneys have to interpret and apply the statute. Actually they don't determine that a crime has been committed.

Senator FERGUSON. Let us say the fact is that a crime has been committed. The attorney has the discretion whether or not he prosecutes. You used the word "choose."

Mr. EPSTEIN. I am not sure, Senator Ferguson, that I understand your question. Would you restate it, please?

Senator FERGUSON. Well, do you have a choice, where the facts are clear that a crime has been committed, as to whether you will or will not prosecute?

Mr. EPSTEIN. Where the facts are clear that a crime has been committed ordinarily criminal prosecution will be instituted.

Senator FERGUSON. Well—"ordinarily." That is a wide gap. That lets the prosecuting attorney say, "I will prosecute one man but on the same set of facts I won't prosecute another." Is that the way it is run, would you say?

Mr. EPSTEIN. That occurs to a certain extent, I believe, of necessity. You have human factors operating. You have questions of judgment involved.

Senator FERGUSON. You don't submit it to a grand jury to decide whether or not there is a crime. You have a prosecutor determine that?

Mr. EPSTEIN. Some cases are submitted to the grand jury, but not all.

Senator FERGUSON. Well, then, the district attorney chooses what cases he wants to take to the grand jury and what ones he doesn't want to take to the grand jury?

Mr. EPSTEIN. In conjunction with the O. P. A. attorney. They do not make that initial decision.

Senator FERGUSON. Now, is the finding, or the other penalties, on the same basis?

Mr. EPSTEIN. The selection of the sanctions, that is, whether the proceedings will be a civil proceeding or a criminal proceeding, or a

combination, is originally made by our attorneys in the district office, in conjunction, in some instances, with the United States attorney, where it appears that there may be a proper basis for criminal prosecution.

Senator FERGUSON. But on the other basis, on the finding and penalties, who decides that?

Mr. ERSTEIN. Well now, do you mean who decides whether or not an action should be brought?

Senator FERGUSON. Yes, whether or not he is to be fined, or whether or not there is to be a penalty?

Mr. ERSTEIN. Of course, we don't impose fines or penalties. We may determine to bring an action, in which the court can adjudicate that the defendant has violated O. F. A. regulations.

Senator FERGUSON. Take the case where \$200,000 was paid. What was that?

Mr. ERSTEIN. That was a settlement out of court.

Senator FERGUSON. Now, someone had to decide that you were not going to make a court case out of that.

Mr. ERSTEIN. That is correct.

Senator FERGUSON. There was a settlement of \$200,000. Someone had the discretion to say, "We will neither make that a criminal action nor a fine nor a penalty."

Mr. ERSTEIN. That is correct.

Senator FERGUSON. In other words, it boils down to the proposition that this criminal law is a question of enforcement by men and not by law, it is a government of men and not of laws as far as this criminal law is concerned.

Mr. ERSTEIN. Well, to a certain extent that is true, and I don't see how you can possibly avoid that. You have such factors involved as human judgment.

Senator FERGUSON. Couldn't you take a case like that, don't you think, where a man admits \$200,000 that that is a case to be submitted to the grand jury to ascertain what should or should not be done under the criminal law?

Mr. ERSTEIN. I don't know as there was an admission.

Senator FERGUSON. Do you say a man who paid \$200,000 does not admit that he did anything wrong?

Mr. ERSTEIN. There certainly is by implication an admission, but when a person disposes of a cause of action out of court I don't know as though he necessarily admits anything, except that he settled his lawsuit, or that he settled somebody's cause of action, for a certain sum of money.

Senator FERGUSON. Did you make an examination of that case personally?

Mr. ERSTEIN. No.

Senator FERGUSON. Who did?

Mr. ERSTEIN. The investigation was conducted by our district office here in the District of Columbia in conjunction with our New York regional office.

Senator FERGUSON. And how much did you find that he owed; what was your claim?

Mr. ERSTEIN. The claim of the Office of Price Administration was in the vicinity of \$75,000, which multiplied by 3 ran in the neighborhood of \$225,000. Now, had we brought a treble-damage suit in

that case and proved our case, obtained judgment, we would have obtained judgment for something in that neighborhood, \$225,000.

Senator FERGUSON. Don't you think the public would be better satisfied if they had an open adjudication of a case like that rather than a settlement, as you made it?

Mr. ERSTEIN. Well, I don't know why that would follow. I think that the Government would have been put to considerable time and expense in winning that case, and perhaps the public was benefited by not being required to make that expenditure of money.

Senator FERGUSON. What liquor violations have you had here that you got criminal actions on?

Mr. ERSTEIN. Here in the District?

Senator FERGUSON. No; all over the country, as far as liquor and wine are concerned.

Mr. ERSTEIN. There have been quite a number.

Senator FERGUSON. Where you have grand jury proceedings?

Mr. ERSTEIN. No; most of them proceed by information. There have been some where grand jury action has been brought. There have been some.

Senator FERGUSON. Have there been any indictments by grand jury?

Mr. ERSTEIN. Yes; there have been some.

Senator FERGUSON. Have you got them? Will you give us a list of them?

Mr. ERSTEIN. Well, I can't pick out the indictments from the records I have here. I brought with me, not knowing in advance exactly what the committee wanted, a diary in which I note the various actions brought.

Senator FERGUSON. What attorney actually decided to make this settlement—was it Kronheim?

Mr. ERSTEIN. Yes. It was originally decided by the district enforcement attorney in the District of Columbia office, in conjunction with the New York regional office, and later with the national office.

Senator FERGUSON. Where was the crime committed, if one was committed?

Mr. ERSTEIN. Well, there was no charge of a crime.

Senator FERGUSON. What was the violation that he paid \$200,000 to settle?

Mr. ERSTEIN. Well, there were three different types of violation. One type of violation consisted in the elimination of quantity discounts. Another type of violation consisted of the elimination of credit discounts or cash discounts. The third type of violation consisted of the pricing of new items, that is, new lines as to him, at prices which in the opinion of the Price Administration Office were improper and out of line.

Senator FERGUSON. Did you report those to Mr. Sanderson? He told us about these new brands. When you get a case like that, do you notify him.

Mr. ERSTEIN. I don't know whether this case was ever specifically called to his attention. We look upon a case of this character as an enforcement matter. We call to the attention of the Beverage Section difficulties which we are encountering in our enforcement work when we believe that the difficulty can be corrected by amendment to regulation.

Senator FERGUSON. Have you got the record here on his so-called overcharging on new brands? Will you let us have that?

Mr. EPSTEIN. I can give you the report on the case which I have with me today. I might say that this was a matter of pricing of brands which as to him were new lines and which under the regulation as it then existed he was required to price with reference to the most similar brand which he sold during March of 1942.

Senator FERGUSON. Do you have any case of his overcharging on other brands? I mean, of violating ceilings.

Mr. EPSTEIN. These were in violation of ceilings. There was also a question, of course, of what was the ceiling, but it was our position that he did violate the ceiling.

Senator FERGUSON. Have you made a check recently to see whether he is violating other ceilings at the present time?

Mr. EPSTEIN. I believe there has not been a repeat investigation on that.

Senator FERGUSON. There has been none?

Mr. EPSTEIN. So far as I know there has not been.

Senator FERGUSON. I see.

Mr. EPSTEIN. Now, do you want the brands on which the violations occurred?

Senator FERGUSON. Yes.

Mr. EPSTEIN. Kronheim bonded bourbon.

Senator FERGUSON. Give us the facts on that.

Mr. EPSTEIN. Kronheim bourbon bond was a Kentucky straight bourbon whisky, bottled in bond, 5 years old, 100 proof. Kronheim set a price for that commodity of \$36.80, including the November 1942 tax. The brand which he used as a basis for comparison was Old Grandad, which is a Kentucky straight bourbon whisky, bottled in bond, at 100 proof.

Senator FERGUSON. Is that 5 years old?

Mr. EPSTEIN. Old Grandad was 4 years old. It was our contention that Old Grandad was not a proper brand for use in pricing by similarity, that it was not a similar brand, and that Kronheim bourbon bond should have been priced with reference to, I believe Old Crow, at \$23.40, plus the November tax of \$4.80, or a maximum price of \$28.40, as against \$36.80, which was the price Mr. Kronheim selected.

Senator FERGUSON. All right. How much did he violate the law on that one?

Mr. EPSTEIN. Our figures show \$7,151.60.

Senator FERGUSON. How did you find out how much he sold of that?

Mr. EPSTEIN. By auditing his books.

Senator FERGUSON. This \$75,000 was an audit of his books, that you found?

Mr. EPSTEIN. That is correct.

Senator FERGUSON. How much overcharging of the brands did you find?

Mr. EPSTEIN. Overcharging of the brands such as the one I mentioned?

Senator FERGUSON. Yes.

Mr. EPSTEIN. Aggregating \$51,681.04, according to this report.

Senator FERGUSON. Who decided that it ought to be on the basis of Old Crow?

Mr. EPSTEIN. That determination was made in conjunction with the commodity specialist in the national office who examined the pricing method.

Senator FERGUSON. Did Mr. Sanderson do that pricing?

Mr. EPSTEIN. I believe not. The actual communication was between the investigator in the district office and the accountant in the district office, who were in charge of the case, and the price department in the national office, so I am not in a position to state who the exact person was in the price department who assisted the investigator in these computations.

As a matter of fact, it may have been a combination of people there to attempt to get the best judgment of what the proper pricing should be.

Senator FERGUSON. Then you would say the reason this new brand was used was to get a higher price?

Mr. EPSTEIN. That is right.

Senator FERGUSON. Now, have you any idea how much violation there has been as far as these 3,000 new brands are concerned?

Mr. EPSTEIN. There has undoubtedly been a substantial amount of it. I have no way of reducing it to quantitative or qualitative terms.

Senator FERGUSON. How many new brands did this man have?

Mr. EPSTEIN. Kronheim?

Senator FERGUSON. Yes.

Mr. EPSTEIN. Well—

Senator FERGUSON. How many did he have in all since 1942?

Mr. EPSTEIN. I can't say that. I can tell you how many were involved in this.

Senator FERGUSON. How many were involved in this?

Mr. EPSTEIN. Eight.

Senator FERGUSON. Give us some of the others. Take a second case.

Mr. EPSTEIN. I might say this, that some of these brands were not new brands in the sense that they were brand-new brands on the market. They were new brands so far as he was concerned.

Senator FERGUSON. Give us one of those cases.

Mr. EPSTEIN. Yes. We will take the next one on the list, which is Dant's bourbon bond. Dant's bourbon bond is a Kentucky straight bourbon whisky bottled in bond, 5 years old, 100 proof.

Senator FERGUSON. According to the new prices that liquor would be, those two liquors would be identical, they are both the same age and the same in proof, 100 proof.

Mr. EPSTEIN. That is correct.

Senator FERGUSON. And they would be identical in price?

Mr. EPSTEIN. Well—you say under the new regulation?

Senator FERGUSON. Yes.

Mr. EPSTEIN. Yes.

Senator WHERRY. You mean the Kronheim bourbon and this one?

Senator FERGUSON. Yes.

Senator WHERRY. Because they are 5 years of age and the same proof.

Senator FERGUSON. Yes.

Mr. EPSTEIN. I might say this, just to clarify that situation, that these brands are not new brands, in the sense that they first came on the market in March of 1942.

Senator FERGUSON. Why didn't you use the price that they were being sold at in 1942 instead of comparing it to Old Crow?

Mr. EPSTEIN. Well, that wasn't the way in which the regulation required the price to be computed. A wholesaler who sold a brand which to him was a new brand was required to compare that brand with his most similar brand sold during March of 1942.

Senator FERGUSON. Oh, and this may have been sold by 10 other wholesalers at a certain price?

Mr. EPSTEIN. That is right.

Senator FERGUSON. And he wouldn't take anyone of those prices but fix his own price?

Mr. EPSTEIN. He would first try to fix it with reference to a similar brand which he did sell during March of 1942. If he were unable to find such a brand that he did sell he would then turn to a competitor and select his competitors' price for the most similar brand.

Senator FERGUSON. What did he do with this one now?

Mr. EPSTEIN. On this one he again compared it to Old Grandd.

Senator FERGUSON. Which did you compare it with?

Mr. EPSTEIN. We again compared it with Old Crow, which was the same one as we used with reference to Kronheim's Bourbon Bond, and we concluded that the proper price would be, for quarts, \$27.60, plus \$6 tax, which would bring the total to \$33.60; for pints including the tax, \$32.32, and for one-half pints, \$35.23.

Senator FERGUSON. What was the name of the first whisky?

Mr. EPSTEIN. Kronheim bourbon bond.

Senator FERGUSON. No one else sold that, that was a new one?

Mr. EPSTEIN. Yes; that was his own brand.

Senator FERGUSON. Now, what is the name of the next one—Dant's?

Mr. EPSTEIN. Dant's Bourbon Bond.

Senator FERGUSON. Did anybody else sell Dant's before that time?

Mr. EPSTEIN. They may have, I don't know. It seems to me that I have heard that name.

Senator FERGUSON. Did you try to find out what others had sold it before?

Mr. EPSTEIN. No; I did not. I personally did not.

Senator FERGUSON. But you used some high-grade liquor that he sold?

Mr. EPSTEIN. We used what we regarded as the most similar product which he did sell, which was in accordance with the pricing formula as it then existed.

Senator FERGUSON. Do you go according to quality at all?

Mr. EPSTEIN. Well, in determining similarity we look to several factors. We look to the age, the proof, the formula, whether it is bottled in bond or not bottled in bond; we also look to whether or not it would ordinarily sell in the same price line which is included within the definition of similarity contained in the general maximum price regulation.

Senator FERGUSON. Old Crow is a well-advertised liquor, is it not?

Mr. EPSTEIN. Yes; I think so.

Senator FERGUSON. And Dant's, you have never seen an advertisement of Dant's?

Mr. EPSTEIN. Yes; I believe I have. I think the Dant distillery is in Kentucky.

Senator FERGUSON. Have you ever seen that name advertised?

Mr. EPSTEIN. I believe I have. I wouldn't be sure. I have seen some Dant's product advertised. Whether it was this particular brand, I don't know.

Senator FERGUSON. But you allowed it to be compared with a well-advertised brand like Old Crow?

Mr. EPSTEIN. That is correct.

Senator FERGUSON. Have you got any other example?

Mr. EPSTEIN. We have Cream of Baltimore, which is the next one on the list.

Senator WHERRY. Is that new?

Mr. EPSTEIN. Cream of Baltimore again is a brand which I believe was on the market, but it was new as to Kronheim. That is a Maryland straight rye whisky, 5 years old, 86 proof. The price which Mr. Kronheim selected for that brand was \$31, including the November tax.

Senator FERGUSON. What did he compare that to?

Mr. EPSTEIN. He compared that with B. P. R. bonded rye. That is Baltimore Pure Rye, which is a Maryland straight rye whisky bottled in bond at 100 proof.

Senator FERGUSON. This was an 86 proof and he compared it 100 proof?

Mr. EPSTEIN. That is right. Now, we took the position and contended that he should have used Old Overholt, which is a straight rye whisky, 86 proof, and using that as a basis for pricing we computed the price at \$24.50 as distinguished from the price which he selected of \$31.

Senator FERGUSON. Are these settlements open to public inspection?

Mr. EPSTEIN. Well, ordinarily not; no. This particular case received considerable publicity. Ordinarily the files in these cases are not open.

Senator FERGUSON. Closed to the public?

Mr. EPSTEIN. That is correct.

Senator FERGUSON. And they are made, they can be settled by one or two individuals, and are not opened to public inspection—a competitor can't learn anything about it, and the public can't learn anything about it?

Mr. EPSTEIN. Except insofar as there may be publicity connected with it.

Senator FERGUSON. Well, was this one open to public inspection?

Mr. EPSTEIN. The files were not but the terms and provisions of the settlement, I believe, were given extensive coverage in the press.

Senator FERGUSON. Did anyone tell the public that part of this was on new brands and part on others, or did they just say that he paid \$200,000?

Mr. EPSTEIN. My recollection is that there was a description of the character.

Senator FERGUSON. How much of an audit did you have made of his books to ascertain the amount he owed?

Mr. EPSTEIN. His books were completely audited. The instructions to the investigators were to conduct a thorough audit.

Senator FERGUSON. How long did it take to audit the books?

Mr. EPSTEIN. According to this record, the investigation was commenced on the 4th of August and completed on the 27th of August.

Senator FERGUSON. Do you think a complete audit was made in that length of time of that much goods?

Mr. EPSTEIN. I think that an audit was made of the transactions other than those of a very minor character. I believe the instructions were to omit these very minor transactions, primarily from the standpoint of conserving time and manpower.

Senator FERGUSON. Now, what do you call a minor item—100-case lots?

Mr. EPSTEIN. Oh, no. A transaction of two or three cases, possibly as many as five cases, for an operation of this scale. I believe that the one- two- and three-case transactions were not included.

Senator FERGUSON. Isn't it true that this man sells an awful lot of one, two, three, and four cases in the District of Columbia—isn't that one of his big outlets?

Mr. EPSTEIN. I don't know what the volume of that is. I was advised by the investigators that there were a certain number of those transactions.

Senator FERGUSON. Who decided and who authorized the elimination of the five-cases down?

Mr. EPSTEIN. I said three.

Senator FERGUSON. Three down—who decided that?

Mr. EPSTEIN. The district office. I believe that we would, if the question were put up to us—

Senator FERGUSON. Well, who did do it?

Mr. EPSTEIN. That was done by the district office but it is in accord with an instruction which we would give under the circumstances.

Senator FERGUSON. Well, then, as I understand it, you were not preparing a court case at all.

Mr. EPSTEIN. Oh, yes; we were prepared to go to court on this case if it had not been settled. To go into court we don't have to get down to the last transaction.

Senator FERGUSON. Was there any doubt in your mind that there was \$225,000 due?

Mr. EPSTEIN. No. I believe that we could have substantiated that sum had we gone into court.

Senator FERGUSON. And could the audit do it?

Mr. EPSTEIN. Yes. We were prepared to go into court and then prove our case by evidence.

Senator FERGUSON. Was he represented by counsel?

Mr. EPSTEIN. Yes, he was.

Senator FERGUSON. Who proposed that settlement rather than go to court?

Mr. EPSTEIN. The negotiations on that were conducted through our district office in the District of Columbia and the attorney for Mr. Kronheim.

Senator FERGUSON. Did you negotiate the settlement?

Mr. EPSTEIN. No; I did not.

Senator FERGUSON. Who did?

Mr. EPSTEIN. I stated it was negotiated by our district office, District of Columbia office.

Senator FERGUSON. I am trying to get the person who negotiated it. Mr. EPSTEIN. Our chief enforcement attorney in the District of Columbia office is John L. Laskey and Mr. Laskey conducted the preliminary negotiations on this case. The matter was later submitted to the New York regional office and also to our office.

Senator FERGUSON. Will you tell us what the New York office had to do with it? Were these violations in New York?

Mr. EPSTEIN. No; but the District of Columbia office—

Senator FERGUSON (interposing). Is under the regional office?

Mr. EPSTEIN. That is correct.

Senator FERGUSON. I see.

Mr. EPSTEIN. It just so happens that this case arises here in the District which is in the same area as the national office.

Senator FERGUSON. That compels you, under your regulations, to go to New York, notwithstanding that?

Mr. EPSTEIN. That is correct, except that as a practical matter there is a greater degree of direct communication between the national office and the District of Columbia office here than there perhaps is with some of our other district offices at more remote distances from the Capitol.

Senator FERGUSON. Were all of these violations here in the District?

Mr. EPSTEIN. Well, the sales occurred in the District. The purchasers may have been elsewhere.

Senator FERGUSON. What were the other violations?

Senator WHERRY. Before you go into that, may I ask a question? Senator FERGUSON. Yes.

Senator WHERRY. Did you take this up with the Department of Justice attorneys before you made settlement?

Mr. EPSTEIN. No.

Senator WHERRY. You settled the civil action without consulting the Department of Justice as to the criminal violation?

Mr. EPSTEIN. Yes.

Senator WHERRY. So that the criminal side of it didn't have any consideration as far as your organization was concerned?

Mr. EPSTEIN. Except this, that we considered whether or not in our opinion this would be a case which could properly be prosecuted criminally. I might point out that under the Emergency Price Control Act, criminal prosecutions can be brought only in cases of wilful violation. That is, every case of violation is not a proper case for criminal prosecution.

Senator WHERRY. I understand, but your earlier testimony was to the effect that the criminal side of it was handled by the Department of Justice, and in connection with the Department of Justice you decide which ones to prosecute in civil actions and which ones should be prosecuted criminally.

I am asking now did the Department of Justice come into this picture and help make that decision? I think you can enforce this thing if you stick some criminal teeth in it. If you are going to stop them you have got to put some of these boys behind the bars.

Senator FERGUSON. Tell us one case where you prosecuted and actually got a conviction.

Mr. EPSTEIN. There have been two recently in the District of Columbia. There was the Aaron Aaronson case and the Shepherd Park Drug Co. case. Let me check my record and I will get those names exactly. Those cases led to fines of \$300 in one case and \$500 in the other.

Senator FERGUSON. You took those to court?

Mr. EPSTEIN. Yes. Those were criminal prosecutions.

Senator FERGUSON. How did they vary from this one?

Mr. EPSTEIN. Well, they involved tie-in sales.

Senator FERGUSON. What is the difference between that and a cash discount?

Mr. EPSTEIN. The elimination of the cash discount?

Senator FERGUSON. Yes.

Mr. EPSTEIN. Well, the question is present in the case of the elimination of a cash discount of just what the purpose and intent of the regulation was.

Senator FERGUSON. Now, don't you get down now to this fact, that that is a question of fact for the grand jury of the United States to determine and not for an attorney, if you are going to put teeth in the O. P. A. laws? We are hearing a lot today about enforcement of O. P. A., they can't fix prices, we have got black markets, we have got bootlegging today in the liquor business. Yet, we have the Government making a settlement here and not submitting it even to the attorney who represents the United States—that is, the Department of Justice.

Mr. EPSTEIN. It would be impractical to submit very many cases to the grand jury.

Senator FERGUSON. Isn't that a question for the district attorney, the Department of Justice, to determine?

Mr. EPSTEIN. Let me say this, that our over-all handling of these cases is pursuant to a plan worked out with the Department of Justice.

Senator FERGUSON. Did they approve this settlement?

Mr. EPSTEIN. Not this particular case.

Senator WHERRY. This was not referred to them?

Mr. EPSTEIN. That is correct. Our plan is that we refer to them cases which in our opinion, in the first instance, may possibly or properly be cases on which a criminal prosecution may be based. Section 2205 (b) of the Emergency Price Control Act so provides. But the plan which we have with them does not call for our submitting to them every case which we come across and every case which we build up for some kind of action.

Senator FERGUSON. Doesn't it seem strange to take a case where the fine is \$300 and let a case go where there is \$200,000 involved?

Mr. EPSTEIN. Well, if this case had been tried criminally the fine which the court might impose here might have been \$200. I mean, the fine wouldn't necessarily be \$200,000.

Senator FERGUSON. How much did this man sell here, this man that was fined \$300?

Mr. EPSTEIN. I don't know offhand. It was comparatively small as against this.

Senator FERGUSON. How much was it actually, how much did the Government get out of it on a payment?

Mr. EPSTEIN. Well, the Government got the amount of the fine, \$300 in one case and \$500 in the other.

Senator FERGUSON. Didn't you ask him to bring back treble damages?

Mr. EPSTEIN. I believe in those cases the action brought was a criminal prosecution and no other action brought.

Senator FERGUSON. Then you did not use the full law against those men whom you convicted?

Mr. EPSTEIN. That is correct.

Senator FERGUSON. Why not?

Mr. EPSTEIN. Well, in some exceptional instances we use both criminal and civil sanctions.

Senator FERGUSON. What were the mitigating circumstances in these two cases?

Mr. EPSTEIN. Well, it is a matter of making a selection based on a consideration of all the evidence available, the nature and extent of the violation, and a consideration of all the factors involved.

Senator FERGUSON. Do you think you will ever get people to fear the criminal law if it is boiled down to such discretion as we are getting here?

Mr. EPSTEIN. Well, I might say, using this particular case as an example, this case if tried criminally, assuming that the evidence which we have would sustain violations which I have mentioned here and with respect to which it can be contended that there is a certain amount of doubt, a certain amount of misunderstanding, perhaps a matter of erroneous judgment on the part of Kronheim in the matter of the selection of comparable brands—

Senator FERGUSON. Do you think a man with his experience didn't know what he was doing?

Mr. EPSTEIN. Well, I am inclined to think he did, but I don't know whether a jury would think so.

Senator FERGUSON. Why didn't you submit it to a jury? That is our method of justice.

Mr. EPSTEIN. Well, we chose the civil action, and developed the case for a civil action under our treble-damage sanction.

Senator WHERRY. You really should have referred it to the Department of Justice before you made that decision, shouldn't you? I can see where on advice of a district attorney you might have brought either a civil or a criminal action, even though you didn't want to take it to the grand jury—but you have already stated that in all of these cases you worked in conjunction with the Department of Justice. I claim it is more effective in enforcing prices to get a criminal prosecution than to institute a civil suit; but on your own testimony, why didn't you refer the *Kronheim* case to the Department of Justice before you made that decision, and let them judge whether or not they could successfully prosecute criminally?

Mr. EPSTEIN. Well, let me say this, this case may have been discussed by our district office with the local United States attorney, but I have no knowledge of it. But, as I say, as a general matter, we do not take up all of our cases with the United States attorney, from the standpoint of the feasibility and the practicability. With the volume of work that there is to handle it is just administratively unfeasible.

Senator WHERRY. Certainly a case involving \$200,000 would have criminal violations sticking out all over it, would it not?

Mr. EPSTEIN. Not necessarily.

Senator WHERRY. At least it should be referred to the Department of Justice.

Mr. EPSTEIN. The questions involved are peculiar questions, involving O. P. A. prices and O. P. A. regulations.

Senator WHERRY. You are making that decision, and you don't give it to the Department of Justice so that they can decide whether or not they will bring a criminal prosecution.

I think that case certainly should have been referred to the Department of Justice for consideration before you made a determination to bring a civil action.

Mr. EPSTEIN. Of course, the bringing of a civil action or the settlement of a civil action does not preclude criminal prosecution.

Senator WHERRY. Yes; but made the settlement. He anticipated a prosecution. That is why he paid the \$200,000, was it not?

Mr. EPSTEIN. Had we anticipated a criminal prosecution we would have referred the case to the United States attorney.

When you get into the question of what is a similar brand, you have a question of fact involving human judgment.

Senator WHERRY. I understand. I think cases like that should have the full consideration of the Department of Justice. You leave it to a man in your department to decide that and they don't prosecute criminally.

Mr. EPSTEIN. Quite a number of cases are prosecuted criminally?

Senator WHERRY. But you don't do it.

Senator EPSTEIN. No; the United States attorney does.

Senator WHERRY. You refer what cases you think should be referred.

Mr. EPSTEIN. Yes.

Senator WHERRY. And you did not refer the *Kronheim* case.

Mr. EPSTEIN. So far as I know we did not.

Senator FERGUSON. Mr. Chairman, I would like to have the entire file of the *Kronheim* case turned over to the committee for inspection. I understand that this [indicating] is not the entire file. I think we ought to make an examination of the file.

The CHAIRMAN. Is the entire file in your possession?

Mr. EPSTEIN. No; it is not. I can get it for you. It will be either in the district office or in the New York regional office. I can get it.

The CHAIRMAN. Will you get it and give it to Mr. Mattice for the use of the committee, probably in executive session if there is any reason why it should not be public. I don't know of any reason why it should not be public, do you?

Mr. EPSTEIN. Well, I don't know of any.

The CHAIRMAN. Well, you furnish it, then, please.

Mr. EPSTEIN. Yes. It may take some little time, because I will have to have it sent in from our field office. And I assume also that the file will be returned for our records after it has served your purpose.

The CHAIRMAN. Yes.

Senator FERGUSON. Do I understand that this case was settled by his paying \$50,000 down and \$25,000 monthly?

Mr. EPSTEIN. Yes; there was some such arrangement as that worked out.

Senator FERGUSON. It was on the partial-payment plan?

The CHAIRMAN. The installment plan.

Senator FERGUSON. Installment plan, yes.

Have you heard rumors that he is still violating the law in many cases?

Mr. EPSTEIN. No, I have not.

The CHAIRMAN. These suits aggregating \$25,000,000 treble damages; some of them were based on the sale of warehouse receipts, weren't they?

Mr. EPSTEIN. That is correct.

The CHAIRMAN. What do you say—you are an attorney and the chief of your division—what do you say a warehouse receipt is, a commodity or a security?

Mr. EPSTEIN. I would say that a warehouse receipt is an evidence of title to a commodity and the method whereby title to the commodity is transferred, and that the transfer of the warehouse receipt constitutes a transfer of the commodity.

The CHAIRMAN. What about a stock or bond; that is evidence of ownership, isn't it? You don't think that that is a commodity, do you?

Mr. EPSTEIN. No. A share of stock in a corporation is an interest in a business. It is an evidence of partial ownership, interest on a business, to undivided assets, but not to any particular assets. A warehouse receipt, on the other hand, is evidence of title to specific goods, and very intimately related with those goods. It is not an interest in it, it is not an undivided interest in the property.

The CHAIRMAN. Have you gone into that subject with the Department of Justice, as to whether it is a security or a commodity?

Mr. EPSTEIN. I personally have not; no.

The CHAIRMAN. But you are bringing these treble-damage suits on the theory that it is a commodity?

Mr. EPSTEIN. That is correct.

The CHAIRMAN. While the S. E. C. holds that it is a security. You know that, don't you?

Mr. EPSTEIN. The S. E. C. holds, as I understand it, that for certain purposes the sale of warehouse receipts may be regarded as securities, where interests in warehouse receipts are traded or sold.

The CHAIRMAN. The Chairman of the S. E. C. was over here. I talked to him. His position was that a warehouse receipt is a security and not a commodity. Did you ever talk to him about it?

Mr. EPSTEIN. No; I did not.

The CHAIRMAN. Don't you think you had better get an opinion from the Attorney General on this before you bring suits for treble damages here aggregating \$25,000,000?

Mr. EPSTEIN. We have examined the court decisions and have come to the conclusion that the state of the law is that for our purposes the warehouse receipts are evidences of title of the commodity. We feel that legally we are correct.

The CHAIRMAN. You know that this is one of the weaknesses of bureaucracy—and I think that before you file damages based on the sale of warehouse receipts you ought to have an adjudication by some court, or at least an opinion from the Attorney General of the United States as to which it is, a commodity or a security, don't you?

Mr. EPSTEIN. Well, of course, we will get that adjudication in these cases themselves.

The CHAIRMAN. You will, at the expense of many thousands of dollars on behalf of the defendant for attorneys' fees, when you could get one with a friendly suit, that wouldn't cost anybody anything.

Mr. EPSTEIN. You say a friendly suit?

The CHAIRMAN. Yes.

Mr. EPSTEIN. You mean—

The CHAIRMAN. An agreed state of facts. See what I mean?

Mr. EPSTEIN. Yes.

The CHAIRMAN. Do you have anything to do, in your price fixing, with these tie-in sales?

Mr. EPSTEIN. We do from the enforcement standpoint.

The CHAIRMAN. What have you done about that?

Mr. EPSTEIN. We have brought some actions which were based on tie-in sales. Our position is, very emphatically, that tie-in sales are contrary to the emergency Price Control Act. Where we have found evidence of this type of violation we have brought either civil or criminal actions, either by way of an injunction suit to discontinue the practice or we transmit the case to the United States attorney and recommend criminal prosecution.

The CHAIRMAN. Have there been any prosecutions under that?

Mr. EPSTEIN. Yes; there have.

The CHAIRMAN. Any convictions?

Mr. EPSTEIN. Yes. As a matter of fact, the two cases which I mentioned here in the District of Columbia involved tie-in sales, and we have had some others. There was one, I note here, rather recently. I believe that involved tie-in sales.

I might say I have here merely my own diary of these cases. I don't purport to keep them all in my mind.

The CHAIRMAN. What case was that?

Mr. EPSTEIN. I will attempt to locate it.

The CHAIRMAN. Is that what is referred to as the Sheppard Drug Co?

Mr. EPSTEIN. That was one. The *Sheppard Drug Co. case* and the *Aaronson case*. Those two cases in the District of Columbia were tie-in cases.

The CHAIRMAN. And that is where they were fined two or three hundred dollars?

Mr. EPSTEIN. Yes.

The CHAIRMAN. That was after trial by jury?

Mr. EPSTEIN. It was after a proceeding brought.

The CHAIRMAN. Have you instructed your regional offices and your district offices to look out for violations by tie-in sale?

Mr. EPSTEIN. Yes, we have.

The CHAIRMAN. Have any of them been prosecuted in Chicago?

Mr. EPSTEIN. I don't know offhand. I would have to get a report on that from our Chicago office.

The CHAIRMAN. An Indianapolis businessman was there for a week around Christmas time and he was trying to buy some liquor and he had a uniform experience. They are selling baskets containing a selection of wine and liquor. You either bought the full basket or you bought nothing. He said that in at least 12 or 15 different retail stores

that practice was followed. It was common all over the city of Chicago. Yet there have been no prosecutions?

Mr. EPSTEIN. That is in violation of our regulation and I will call that to the attention of our Chicago office. Sometimes there is a certain lapse of time between the time the violation first comes to the attention of our office and the prosecution.

The CHAIRMAN. That was the 25th of December, and this is pretty nearly the 25th of January. Don't you think a vigorous investigator would have made a report in 30 days?

Mr. EPSTEIN. If we had some spare investigators around there that weren't doing anything that they couldn't drop, that would probably be so; but in any event I will check with our Chicago office and see what, if anything, has been done.

The CHAIRMAN. All right, and let us know what you find out.

Mr. EPSTEIN. I might also add this one thing in that connection, that it is a fact that to a certain extent our organization is handicapped in the conduct of investigation at retail for the reason that we are not permitted to use any part of our appropriation for the purchase of commodities for use in enforcement proceedings. That is, it would be a much easier job in some of those instances if our investigators could go into the retail store and make a purchase, get a receipt, and he would then have the evidence that he needed.

Senator FERGUSON. Is that statutory, that you cannot use any part of that appropriation?

Mr. EPSTEIN. It is contained in our appropriation act. There are prohibitions in our appropriation act.

Senator FERGUSON. You mean in the statute itself?

Mr. EPSTEIN. Yes.

Senator FERGUSON. Prohibiting the use of it to get evidence?

Mr. EPSTEIN. Yes. It has been a serious handicap to our enforcement work.

Senator WHERRY. According to testimony we had earlier that is quite prevalent, that is, tie-in sales, all over the country.

Mr. EPSTEIN. I wouldn't be surprised.

Senator WHERRY. That is general knowledge.

Mr. EPSTEIN. That is correct.

Senator WHERRY. It wouldn't be any effort for any one of your investigators, you might take one off pork and put him in liquor for a while, certainly you could pick that evidence up without any trouble at all.

Mr. EPSTEIN. Well, it would be much easier if we could make a purchase when we went in a store.

Senator FERGUSON. It is very easy for your investigators now to use that for an alibi, isn't it?

Mr. EPSTEIN. No. I don't think that that is a fair criticism. I don't think that our investigators alibi.

Senator FERGUSON. Do they use it when they come back?

Mr. EPSTEIN. No, they don't use it. We use it—by "we" I mean myself. I think our work would be greatly facilitated if we were able to do that and I think as it is our job does become more difficult. As a matter of fact, instances have come to my attention where investigators in a particular office have taken up a collection among themselves so that they would have money to go out and make a purchase for the purpose of getting evidence.

Senator WHERRY. Do you shift these investigators back and forth from one line to another, from, say, food over to liquor? Do you handle that?

Mr. EPSTEIN. We make the general recommendation with respect to it. The actual placement of the investigators on the particular commodity is the job of the district office under the direction which they get from Washington and from their regional office.

Senator FERGUSON. How many enforcing officers have you?

Mr. EPSTEIN. Attorneys?

Senator FERGUSON. Yes.

Mr. EPSTEIN. I don't have with me the figure of the number of attorneys in our enforcement department.

Senator FERGUSON. About how many?

Mr. EPSTEIN. I would rather not hazard a guess, Senator.

Senator FERGUSON. How many here in Washington?

Mr. EPSTEIN. We have in Washington now three attorneys, in my particular branch. One of the men just came in. We were operating with two attorneys in charge of the enforcement of the commodities under my branch over quite a long period of time.

Senator FERGUSON. And how much office help?

Mr. EPSTEIN. In my particular branch I have two stenographers.

Senator FERGUSON. You just have an office of four?

Mr. EPSTEIN. My branch, the Agricultural Commodities Branch, consists now of three attorneys, one of whom is a new man, who just came in Monday, and who will have to go through quite a lengthy course of education and indoctrination before he will be able to do effective work; one other attorney and myself. We are charged with the enforcement activity with respect to corn, feeds, grain, liquor, beer and wine; tobacco, various miscellaneous products; and also with restaurant price and rationing; so you can see that that is a pretty big assignment.

Senator WHERRY. How many are there of you now?

Mr. EPSTEIN. Three of us now. But as I say, one of them is a brand new man. So we have been putting in 12 hours a day.

Senator FERGUSON. You don't think the violators fear that, do you?

Mr. EPSTEIN. I presume not.

The CHAIRMAN. Do you get time and a half for overtime?

Mr. EPSTEIN. We get time and a half for official overtime, which is Saturday afternoon.

The CHAIRMAN. All right.

Senator Wherry?

Senator WHERRY. In this *Kronheim case*, I don't want to go back and take too much time, but did you find any violation in that case, or do you have violations of distillers who put out brands you never heard of, that is, that others don't use at all?

Mr. EPSTEIN. Yes, there have been cases.

Senator WHERRY. Did that happen in the *Kronheim case*?

Mr. EPSTEIN. Perhaps Mr. Sanderson, who knows the liquor business better than I do, can recognize those brands and state whether any of them are brand-new brands. Can we have him look at the list?

Senator WHERRY. Oh, I thought it would be interesting to know. It seems to me there are more new brands of whisky on the market. I

am not as versed in this as our Chairman is. He knows more about brands of whisky than I do.

I was in Chicago last night. One of the complaints it was thought you should investigate was a Mexican whisky that was for sale there. Somebody went in to get Haig and Haig and they tried to sell him some Mexican whisky.

Isn't that an infringement?

Mr. EPSTEIN. Most of our difficulty with respect to the new brands has been with the entirely new brands, that is, brands which have made their appearance since March 1942 in any local market.

Senator FERGUSON. We have been told there are about 3,000 new brands.

The CHAIRMAN. Is that right, Mr. Jones?

Mr. JONES. I doubt it.

The CHAIRMAN. That is what you told us in my office.

Mr. JONES. New labels.

The CHAIRMAN. That is what I mean.

Mr. JONES. That is entirely different. There are a lot of new labels registered with the Alcohol Tax Unit, because of a change in formula or change in proof.

The CHAIRMAN. Does the new label carry a new name?

Mr. JONES. No, sir, not particularly.

The CHAIRMAN. What do you mean a new label?

Mr. JONES. Where the formula has been changed, or the proof; even the place of bottling has been changed. All that requires a new label.

The CHAIRMAN. You would take into consideration new labels in fixing your price, wouldn't you, Mr. Epstein?

Mr. EPSTEIN. Well, of course, if the change was one of the formula changes which Mr. Jones mentioned. If they merely changed the design of the label, let us say, we wouldn't regard that as a new label.

Senator FERGUSON. But if they changed the proof?

Mr. EPSTEIN. Yes, if they changed the proof we would regard it then as a new whisky, which would have to be priced.

Senator WHERRY. Isn't that the purpose of issuing the new label?

Mr. EPSTEIN. It has been used as a device for circumventing the price ceiling. Perhaps a certain amount of it has been in the normal course of conduct of business, but I think most of it has been resorted to for the purpose of obtaining higher prices, utilizing the possible leeway that presents itself when you make a determination of what brand is similar to what other brand.

Senator FERGUSON. Were you familiar with the liquor business prior to 1942?

Mr. EPSTEIN. No, only to a very limited extent. The firm with which I was associated represented a rectifier and I learned a little of the terminology and rudiments of the liquor business in that way.

Senator FERGUSON. Do you know how many new brands or new labels appeared in the year or two prior to this?

Mr. EPSTEIN. No, I do not.

Senator WHERRY. They made their reputation on certain brands, didn't they, with certain proof; they wouldn't want to change their label for any other reason than to circumvent price control?

Mr. EPSTEIN. I think most of the new labels were resorted to for that purpose. I think that perhaps a certain amount of it may have

been justified, too, where it became necessary to substitute, let us say, high wines for neutral spirits which were no longer obtainable, or where in other situations it became necessary to make certain substitutions in the commodity because of the difficulties of supply.

The CHAIRMAN. How do you fix the price on the importation of Cuban and Puerto Rican gins and rums, and so forth, that are coming in?

Mr. EPSTEIN. Well, the new pricing regulation, Maximum Price Regulation 445, sets forth a rather complete method by which those importations are priced.

Briefly stated, if the particular commodity was imported in March of 1942 generally it carries the same price; whereas, if it was first imported during other dates its price is computed in terms of the highest offering price as of a certain date stated in the past.

The CHAIRMAN. Do you chemically analyze the imports to find out just what is in them?

Mr. EPSTEIN. No, we do not.

The CHAIRMAN. In fixing your price?

Mr. EPSTEIN. We do not. That is, I can't speak at firsthand for the people who fix the price. Mr. Sanderson's department writes the price schedules in the first instance; but so far as I know they do not make independent chemical analyses of the brands.

Senator WHERRY. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes.

Senator WHERRY. Following up an earlier question, another one of the violations, besides the new brands, you stated was the payment of cash money on the side?

Mr. EPSTEIN. That is correct.

Senator WHERRY. With an invoice.

Mr. EPSTEIN. Yes.

Senator WHERRY. Do you have any violations of that kind?

Mr. EPSTEIN. Yes, we do, we have quite a number, and in a case of that kind, we ordinarily refer it for criminal prosecution, because we feel that the violation is such that from its very nature the willfulness of it appears.

Senator WHERRY. Do you get that right down to the distiller?

Mr. EPSTEIN. I don't know of any case which has been brought so far in which a distiller has been a defendant to a money-on-the-side deal.

Senator WHERRY. Where does it originate, as a rule, with what group?

Mr. EPSTEIN. It has been brought at the wholesale level and at the retail level. I am not saying what the future may bring but we try to work back to the higher levels of distribution.

Senator WHERRY. There was some testimony in a former hearing of over a thousand cases of bonding whisky that came from a distiller to somebody in New York, was sent over to Newark, N. J., that afternoon, and retransferred back, and finally found its way to Georgia. That transaction apparently had originated with the distiller. At least they knew about it.

I am wondering if you have found some distillers in collusion, and do you have any distillers you are prosecuting?

Mr. EPSTEIN. Yes, we are prosecuting some distillers. I don't know of any case at the moment which involves a money-on-the-side trans-

action in which the distiller is a defendant, although we are working on cases now.

SENATOR WHERRY. Have you made investigations along that line?

Mr. EPSTEIN. We are conducting investigations continuously along these lines, where we try to work from the lower levels of distribution to the higher levels of distribution, and at such time as we obtain evidence that distillers are conducting that type of practice, we will institute cases against them.

SENATOR WHERRY. Where do you find most of them?

Mr. EPSTEIN. It is pretty generalized.

SENATOR WHERRY. There is no continuity there, that you could go back to any particular distiller?

Mr. EPSTEIN. No. And besides, the distribution of whisky is pretty Nation-wide anyway. We try in getting evidence of these money-on-the-side deals to look into it from whatever is shown by books and records, but very frequently the books and records are doctored so as to conceal the transaction.

It becomes necessary then to obtain the information from one or the other parties to the transaction, or from someone else who may have information about it.

Senator WHERRY. The Department of Internal Revenue also has a corps of attorneys.

Mr. EPSTEIN. Yes. The Alcohol Tax Unit.

SENATOR WHERRY. Do you work with them?

Mr. EPSTEIN. Yes.

Senator WHERRY. Can't they check a shipment of alcohol from the bonded warehouse to the retailer?

Mr. EPSTEIN. They not only can but do.

Senator FERGUSON. Have you heard of any of the monopoly States violating the rule that compels them to buy gin and rum and various other liquors?

Mr. EPSTEIN. Yes, I have, Senator, from the State of Michigan.

Senator FERGUSON. That is what I wanted to know about. What have you done to prosecute the State of Michigan?

Mr. EPSTEIN. Well, we haven't, and we don't want to do that. Our local office has been discussing the matter with the authorities in the State of Michigan.

Senator FERGUSON. Have you called it to their attention to have it stopped?

Mr. EPSTEIN. The matter was brought to my attention. I discussed it with our field office and instructed them to take the matter up with the proper officials in the State of Michigan.

Senator FERGUSON. What was the violation in Michigan? What was the State violating?

Mr. EPSTEIN. Well, I would rather put it in terms of what—Senator FERGUSON (interposing). What were they doing?—put it that way.

Mr. EPSTEIN. The information which I received was that the so-called specially designated distributors, I believe they are called, were asked to purchase from the State authority certain quantities of rum and brandies and gin, and other items, as a condition of getting whisky—which would appear to be a tie-in agreement or a condition, a sale of whisky on condition that some other commodity is purchased, and which appears to be contrary to our regulations.

Senator FERGUSON. Didn't it go even further than the special distributors, didn't it go to certain class C licensees, hotels and restaurants?

Mr. EPSTEIN. I have no knowledge of that.

Senator FERGUSON. You just heard that it went to the specially designated distributors?

Mr. EPSTEIN. Yes. I instructed our office in Michigan to communicate with the State officials to see if that problem could not be solved. We are certainly not desirous of bringing any action, legal action, against the State of Michigan, or any of its agencies.

Senator FERGUSON. You mean by that that you won't treat it as a violation even though it is a violation because the State does it?

Mr. EPSTEIN. I didn't say that. We would much prefer to adjust the difficulty.

Senator FERGUSON. You come down to this same discretion that we were talking about, that you would play safe with a State, or with an official of the State, whereas with an individual you wouldn't; is that it?

Mr. EPSTEIN. Well, Senator, I think that in certain respects the sovereign States of our Republic are in somewhat a different position from ordinary individuals.

Senator FERGUSON. I just want your view.

Mr. EPSTEIN. Yes, surely.

Senator FERGUSON. And if a State official violates the law you would be inclined to slap him on the wrist and say not to do it again; but you would prosecute an individual?

Mr. EPSTEIN. By a State official, you mean acting in his official capacity?

Senator FERGUSON. Yes.

Mr. EPSTEIN. Action with reference to an official in the State of Michigan and not in his individual capacity, just because he happens to be a State official—

Senator FERGUSON. Have you heard of any other States that are violating the law?

Mr. EPSTEIN. That is the only one I know of offhand. We have had some instances where we have brought injunction suits against a State. I believe one was brought down in Texas.

Senator FERGUSON. Going back to Michigan—you could hardly blame a druggist, who is a salesman, really, for the State, if he was crowded by the State and compelled to buy run and gin to get a bottle of whisky, you could hardly blame him for making his customer take a certain package, could you?

Mr. EPSTEIN. I think the difficulty definitely should be remedied at the source.

Senator FERGUSON. You mentioned something here about doctored books. Can you tell from the books that they have been doctored?

Mr. EPSTEIN. Sometimes we can and have devised other techniques for ascertaining the payment of money on the side.

Senator FERGUSON. Do you settle where you find a man has doctored his books?

Mr. EPSTEIN. No. Our policy is definitely not to settle those cases but to bring criminal prosecution in any case which shows a clear, willful or flagrant violation.

Senator FERGUSON. Now, tell us about the Texas case.

Mr. EPSTEIN. Well, it is a little beside the point, but the situation arose down there concerning an apparent conflict between State and Federal law, in which the sheriff, I believe it was, was required to auction certain property which had come into the possession of the State through confiscation and other means, auction it off to the highest bidder which, of course, might have been in excess of the maximum prices.

Senator FERGUSON. That is a confiscation sale.

Mr. EPSTEIN. Yes. I think it was that type of sale. The officials here were in no way hostile but merely wanted to be protected so that they could not be charged for violating the State law.

I believe that injunction suit was brought to enjoin the sale at prices in excess of the ceiling prices. I believe the injunction was obtained. I mentioned that in response to your question whether or not there were any others.

Senator FERGUSON. That is the only other State?

Mr. EPSTEIN. That is the only one I know offhand. There may be others.

Senator WHERRY. Do you have anything to do with the allocation of goods?

Mr. EPSTEIN. No.

The CHAIRMAN. What law school did you graduate from?

Mr. EPSTEIN. From the University of California.

The CHAIRMAN. Are you a native of California?

Mr. EPSTEIN. Yes. I am a native of Los Angeles.

The CHAIRMAN. Mr. Mattice, any other questions?

Mr. MATTICE. Nothing further with this witness.

The CHAIRMAN. Thank you very much.

TESTIMONY OF JAMES F. BROWNLEE, DEPUTY PRICE ADMINISTRATOR, OFFICE OF PRICE ADMINISTRATION

(Witness duly sworn.)

Mr. MATTICE. You may give your name, Mr. Brownlee.

Mr. BROWNLEE. James F. Brownlee.

Mr. MATTICE. And your position.

Mr. BROWNLEE. Deputy Administrator of Price, Office of Price Administration.

Mr. MATTICE. How long have you been Deputy Price Administrator?

Mr. BROWNLEE. Since August 16, 1943.

Mr. MATTICE. Had you any connection with the agency before that time?

Mr. BROWNLEE. Prior to that time I was Director of Transportation, War Food Administration.

Mr. MATTICE. The Department of Agriculture?

Mr. BROWNLEE. Yes. Since May of 1943.

May I make a statement for the record, Mr. Mattice?

Mr. MATTICE. Yes, sir.

Mr. BROWNLEE. I would like to say, so that there may be no misunderstanding, that prior to the time that I came with the War Production that I had been general manager of the Lawrence Jones Properties in Louisville, Ky., which consisted of several companies of various types, among which was the Frankfort Distillers, of which I

was president; that at the time I became Deputy Administrator of the Office of Price Administration I resigned my connection with that company.

Senator WHERRY. Is that company in existence now?

Mr. BROWNLEE. It is in corporate existence. It was sold to Seagram some time in October.

Senator WHERRY. Last year?

Mr. BROWNLEE. Yes; 1943.

The CHAIRMAN. Did you have anything to do with the making of that sale?

Mr. BROWNLEE. Nothing beyond going down when the sale was ready for consummation.

The CHAIRMAN. You didn't promote the sale?

Mr. BROWNLEE. No, sir.

Senator FERGUSON. When did you resign?

Mr. BROWNLEE. August 16, 1943.

Senator FERGUSON. The sale took place after that?

Mr. BROWNLEE. October—yes, sir.

Senator FERGUSON. But you had something to do with the sale?

Mr. BROWNLEE. I went down at the final consummation of the sale; yes, sir.

The CHAIRMAN. What did Seagram pay for it?

Mr. BROWNLEE. \$43,000,000.

The CHAIRMAN. What was the capacity of it?

Mr. BROWNLEE. The distilling capacity?

The CHAIRMAN. Yes.

Mr. BROWNLEE. I think we were making about, in the normal year, about 8,000,000 gallons a year.

Senator FERGUSON. Were you making alcohol for the Government?

Mr. BROWNLEE. They had made no whisky since the summer of 1942 and had made no whisky in the Baltimore distillery since early in 1942.

Senator FERGUSON. But they were making neutral spirits for the Government?

Mr. BROWNLEE. Yes.

Senator FERGUSON. How much whisky had you on hand when it was sold?

Mr. BROWNLEE. About four hundred and thirty or four hundred and forty thousand barrels.

Senator FERGUSON. Of various kinds?

Mr. BROWNLEE. Yes; either bourbon or rye.

Senator FERGUSON. Did they buy it for the whisky or for the capacity that you had, would you say?

Mr. BROWNLEE. Well, I would guess that they bought it for the whisky, Senator, and probably they also had some interest in the brands, I would guess.

The CHAIRMAN. Those whiskies were of different ages?

Mr. BROWNLEE. Yes.

The CHAIRMAN. How much over 4 years old?

Mr. BROWNLEE. Well, I would rather not answer that without the record. They were approximately equal inspections.

Senator WHERRY. Mr. Brownlee, when they sold the distillery, did you sever your connections completely, or do you still have an interest in it?

Mr. BROWNLEE. I have no interest of any kind.

Senator WHERRY. No ownership of any stock, or anything?

Mr. BROWNLEE. No, sir.

The CHAIRMAN. You are not a dollar-a-year man?

Mr. BROWNLEE. No; I am paid by the Government.

The CHAIRMAN. What are your functions as deputy?

Mr. BROWNLEE. I have charge, general charge of all price functions of O. P. A.

The CHAIRMAN. Including liquor?

Mr. BROWNLEE. Yes.

The CHAIRMAN. You heard the two gentlemen testify here yesterday and today?

Mr. BROWNLEE. I didn't hear this morning's testimony, sir. I didn't hear anything except the last part of the afternoon testimony.

The CHAIRMAN. You heard Mr. Epstein?

Mr. BROWNLEE. Part of it; yes.

The CHAIRMAN. Do you subscribe to his statements?

Mr. BROWNLEE. Yes, sir.

The CHAIRMAN. Do you subscribe to the statement that these new labels—I will not call them brands—new labels—are largely to get more money for the same quantity of liquor?

Mr. BROWNLEE. I think that this industry, in common with other industries has practised upgrading, without any question?

The CHAIRMAN. Are you in a position to give us your idea about a vacation so that the distillers have a few days a month, have a vacation of 2 or 3 weeks, similar to that in Canada, to make whisky, whether that is feasible or not?

Mr. BROWNLEE. I think obviously the first question would be whether the capacity of the distillers is needed for war production, and if so, it seems to me there is no question as to whether they should have a vacation—of course they should not.

The CHAIRMAN. Are you familiar with the fact that the Government owns four big distilleries, put up for the purpose of making industrial alcohol, and that not one of them is working today?

Mr. BROWNLEE. No, sir I did not know what the status of those distilleries was.

Mr. MATTICE. Those were methyl alcohol plants.

The CHAIRMAN. Have you any general suggestions or advice to give to this committee as to what new legislation is necessary, if any, or what ought to be done in the way of regulation of the industry?

Senator WHERRY. Before he answers that, Mr. Chairman, may I get back to another question? I didn't know you were going to leave it.

The CHAIRMAN. All right.

Senator WHERRY. You said a holiday would depend upon the capacity of the plants to distill alcohol for war purposes. In your department you know something about the food situation, too.

Would you say that if the distillers have the capacity to make more alcohol than was needed for war purposes that you would be justified in taking grains to distill alcohol for beverage purposes?

Mr. BROWNLEE. I wouldn't want to make any general statement on that, Senator. It depends on the extent of the shortage of the grains and what they were being used for.

Senator WHERRY. I thought that maybe because of your experience you might give us some idea along that line.

Mr. BROWNLEE. Well, of course, if the feed situation is as tight as we are told it is, why, I think that, obviously, the livestock of the country, keeping it alive, must come ahead of making whisky.

Senator WHERRY. Do you know whether it is contemplated to produce alcohol from petroleum products to a greater extent than is now being done?

Mr. BROWNLEE. I am not familiar as to that.

Senator WHERRY. That is all I have Mr. Chairman.

The CHAIRMAN. What do you think about rationing?

Mr. BROWNLEE. Well, in relation to price or in relation to the general picture?

The CHAIRMAN. The general picture.

Mr. BROWNLEE. Obviously rationing is something that the agency is not anxious to take over.

The CHAIRMAN. I am asking you as a former expert in whisky.

Mr. BROWNLEE. May I answer that first from the viewpoint of the Office of Price Administration? The Office of Price Administration is not anxious to take it on. It is a complicated procedure. We have always felt that except as it helps the war effort to ration, that it was something that we should keep out of. I am a little out of my province, because Colonel Houston has the same capacity there in regard to rationing as I have to price. But I think he would agree.

Whisky not being a necessity for the prosecution of the war, I think the agency would rather not be in it.

As to rationing, I frankly don't know the basis on which the distilleries rationed. Whether it would change the picture very much if you had official rationing, versus voluntary rationing, I don't know.

Senator WHERRY. How did you do it down there?

Mr. BROWNLEE. Back in September 1942, maybe August 1942, it was fairly obvious that there was going to be cessation of distillation for some time. This has nothing to do with any other company. I don't know how they rationed.

We divided our whiskies into five parts and our spirits into two parts and decided to sell out the whisky at the rate of one-fifth a year and the spirits at the rate of one-half a year. We sold the brands on the exact historical background. We sold the same proportion that we had sold in the past years and allocated it in that way—and, of course, did not put out any new brands and did not change any prices.

Senator WHERRY. Do you know whether when this other firm took over, they continued on that same basis?

Mr. BROWNLEE. I couldn't say.

Senator WHERRY. Do you know whether those dealers to whom you distributed that liquor are now getting their proportionate share?

Mr. BROWNLEE. I know nothing about the operation. I might say that they could not allocate on that same basis because two of those brands were spirit brands and the spirits were exhausted or practically exhausted.

Senator WHERRY. How long would they have lasted you?

Mr. BROWNLEE. The whisky would have lasted 5 years and the spirits would have lasted 2 years.

Senator WHERRY. On that basis you could have taken care of your normal trade to the regular channels for a 5-year period?

Mr. BROWNLEE. No. We could have taken care of the trade on Four Roses and Paul Jones, which were blends of straight whisky, and could have taken care of the trade on the other brands for 2 years. At the same time the plan was that we would put the whisky we were using in two spirit brands into increased amounts of straight whisky.

Senator WHERRY. What proportion of your volume was included in those two brands?

Mr. BROWNLEE. About 55 percent, I think, in the two brands, and 45 percent in the other.

Senator WHERRY. So that 55 percent of your trade could have been served for 5 years?

Mr. BROWNLEE. All of our trade would have been served with 55 percent of our volume.

Senator WHERRY. Yes; on those two brands; and 2 years on the balance of it.

Mr. BROWNLEE. Yes.

Senator FERGUSON. Do you know what may be now wrong with the sale and distribution of intoxicating liquor in America today?

Mr. BROWNLEE. It seems to me inevitable that at a time when production has completely ceased you would have some dislocation in the volume of the business. I think that couldn't mean anything except that you are either going to sell all of these companies out of business in a reasonable length of time, or to the point where even if the war ended you would have a tremendous gap in your inventory, or they must go to some form of modified selling.

I think the second thing that is probably wrong with the supply of whisky is the fact that the demand is so much greater than it used to be. Consequently the actual situation probably looks shorter than it would on the basis of just what is being sold.

Senator FERGUSON. Do you know of any remedy for what is wrong with it?

Mr. BROWNLEE. In my opinion, it is the natural outcome of the necessity of stopping production.

Senator FERGUSON. You don't think the tendency toward monopoly has anything to do with the situation today?

Mr. BROWNLEE. Well, so far as I know, I would think that these monopolies, as you call them, are going to continue to preserve their brands in approximately the same way, and I would doubt whether any small company, let us say a company like Frankfort, could have taken a much different course than it did, which meant a limitation of sales from the 1942 basis down to the 1941 basis, and still have been in business in a few years.

Senator FERGUSON. Do you know the reason for the sale of the Frankfort Distilleries?

Mr. BROWNLEE. The sale was caused primarily by the death of Lawrence Jones, all of whose estate was involved in nonlisted companies, all privately owned and operated companies, and the tax demands were fairly great on the estate.

Senator FERGUSON. It was not a situation of needing the money?

Mr. BROWNLEE. Had nothing to do with it. The company was doing well.

Senator FERGUSON. It was a company that had no interlocking directorate?

Mr. BROWNLEE. Completely independent. Owned largely by a few men and with no relationship with any other company.

Senator FERGUSON. You don't see anything that the monopolizing may bring about, any evils in the business.

Mr. BROWNLEE. Not offhand, sir. I mean, any more than unless you think bigness is an evil—which I have no opinion on.

Senator FERGUSON. I wanted your opinion, you having been in the business.

Mr. BROWNLEE. That is right.

The CHAIRMAN. What do you think about Schenley's going to California and buying up all the big vineyards, and to Milwaukee, and paying \$6,000,000 for a brewery? Don't you think that tends toward monopoly?

Mr. BROWNLEE. It certainly tends towards bigness. I have no opinion on it as a management proposition. Frankfort didn't happen to do it.

The CHAIRMAN. I know Frankfort didn't, but Schenley and the other three big distillers are doing it, and it is the theory of one member of this committee at least that it is the ambition of those four big distillers to monopolize not only the production and sale of whisky, but of wines and beer in this country. Have you any opinion on that?

Mr. BROWNLEE. No, sir.

Senator WHERRY. Following out that line of questioning about the purchase of those distilleries, you stated that you didn't look with favor upon consumer rationing.

Mr. BROWNLEE. I mean governmental consumer rationing.

Senator WHERRY. Yes.

Mr. BROWNLEE. I was speaking as Deputy Administrator of O. P. A.

Senator WHERRY. Yes. What are you going to do with the customers of Frankfort Distilleries if Seagram takes that merchandise and puts it out through their channels under their own brand? What will become of Four Roses and the other brands; will they continue to serve those dealers? Unless they do, where will they get their merchandise? I am speaking of those who depended on your distillery for their merchandise.

Mr. BROWNLEE. As I understand it, the Frankfort sales organization will be continued as a unit. I have no official knowledge about that, but that is my understanding, and that it will continue to distribute those brands through those distributors.

Senator WHERRY. Well, if they wanted to get the goods, they wanted it to supply their needs.

Mr. BROWNLEE. Yes.

Senator WHERRY. They are not taking on any new customers. And won't this centralization or tendency to monopoly that the chairman speaks about tend to disrupt the ordinary merchandising of these smaller distilleries to the trade they formerly had to such an extent that you do not get the proper allocation of goods?

Mr. BROWNLEE. I understand that that is the case. They are going to sell through the same organization, through the same personnel organization, and sell the same brands.

Senator WHERRY. The same brands, like you would have done?

Mr. BROWNLEE. Yes. It wouldn't seem advisable to take a brand as valuable as Four Roses and just throw it out.

Senator WHERRY. If they do not do that, and if these dealers, these distributors that have depended on those brands—how are you going to get liquor to them?

Mr. BROWNLEE. Of course, as a matter of fact, very few distributors serve only one distiller. Most of the Frankfort distributors would perhaps also have a Seagram line, or a Schenley line, or some other line—Hiram Walker, or a local Kentucky line.

Senator WHERRY. Well, here is a retail dealer that had Four Roses and had another brand, he built his trade on certain brands of blended whisky. Now, those from whom he purchased those supplies sell out. This man has to look to other sources of supply in order to get merchandise.

The point I am making is this: Do you feel that there has been so much of that done that we are not getting the proper allocation of the goods? I mean, will these retailers continue to get those brands or will they continue to get liquor? It seems to me that that causes a lot of black marketing. Are they being deprived of the merchandise to which they otherwise would be entitled if the sales were not made?

Mr. BROWNLEE. It seems to me whether he sells it through the same wholesaler is probably not important. The retailer buys from other wholesalers. So if this wholesaler gets more of one brand and less of another, the retail trade will still get somewhere near the same amount of whisky.

Senator WHERRY. Did I understand you to say that you are not in favor of the rationing of any commodity unless it has a direct bearing on the war effort?

Mr. BROWNLEE. Unless it would improve the distribution of an item which is necessary to the war effort.

Senator WHERRY. Do you think we could carry on with a self-imposed rationing plan and get the proper allocation of goods to the public as well as with the other type of rationing?

Mr. BROWNLEE. No. I think you would get even distribution with governmental rationing.

Senator WHERRY. Do you think you would get enough more, that is, so that it would be more practical?

Mr. BROWNLEE. Well, I think that definitely you get even rationing to the public.

Senator WHERRY. Could you eliminate the black market, or to a greater degree, by consumer rationing over self-imposed rationing by the industry?

Mr. BROWNLEE. Probably you could best answer that in relation to the total supply. Perhaps you can answer that with relation to the monopoly States.

Senator WHERRY. Isn't there a lot of bootlegging going on in the monopoly States now?

Mr. BROWNLEE. Probably, although I have no definite knowledge on it.

Senator WHERRY. Do you know whether in this centralization Seagram has acquired any other distilleries outside of yours?

Mr. BROWNLEE. Yes, I understand they have.

Senator WHERRY. You don't know how many?

Mr. BROWNLEE. No.

Senator WHERRY. Do you know the names of any?

Mr. BROWNLEE. No. I know there are two in Kentucky, small ones. I have forgotten which they are. And I assume there are others.

Senator WHERRY. Why are they buying those distillers out if the thing is shutting down and there is no future to it, why are they buying?

Mr. BROWNLEE. For two reasons, I assume. For one thing, they probably think they can make money.

Senator WHERRY. How can they make money by buying a plant that cannot distill any more alcohol for beverage purposes?

Mr. BROWNLEE. It happens in this industry the ability of a distiller to make money depends on whether he has inventory and plants. And in the case of Frankfort they probably felt they could make money out of the sale of that inventory and continue the plant.

Senator WHERRY. How can they do that under ceiling prices?

Mr. BROWNLEE. Frankford made money.

Senator FERGUSON. What dividends were you paying on the \$43,000,000?

Mr. BROWNLEE. That \$43,000,000 was the sales value.

Senator FERGUSON. Yes.

Mr. BROWNLEE. We were paying 80 cents a share a year and there were 975,000 shares, roughly.

Senator BROWNLEE. What would that be on the basis of \$43,000,000?

Mr. BROWNLEE. That would have been about, say, \$750,000 a year. Whatever percentage of \$43,000,000 that is. Two or three percent. I can get it if you want it. About 2 per cent.

Senator FERGUSON. Now, it would be possible for the company that bought your company to take your whisky, that you had in barrels, put it in their brands that sold for a greater price than Four Roses and Paul Jones, and thereby make considerable money along that line?

Mr. BROWNLEE. Frankfort's brands had always been in the upper scale of prices—those two brands.

Senator FERGUSON. So no company could hope to put that whisky in another brand name and make any money?

Mr. BROWNLEE. No.

Senator FERGUSON. They couldn't have that purpose?

Mr. BROWNLEE. No.

Senator FERGUSON. Here is a thing that sometimes bothers people. You use whisky out of the same barrel, the same liquor to make two blends.

Mr. BROWNLEE. That is sometimes so, yes.

Senator FERGUSON. Four Roses and Paul Jones may come out of the same barrel?

Mr. BROWNLEE. They couldn't for one reason. They might eventually, if you didn't use that barrel.

Senator FERGUSON. They were different ages?

Mr. BROWNLEE. They were blends of straight whisky and different ages, and also different formulas, as between the amount of bourbon made with one base, and malt, whisky, and so forth.

Senator FERGUSON. But under our method of making whisky a company could buy one distiller's whisky and use that whisky to make a different blend?

Mr. BROWNLEE. Yes. The Frankfort whisky might taste different than a Seagram distillation, but if the public likes the taste as well, or didn't care, why, they could do it.

Senator WHERRY. On that sale for \$43,000,000, I always think there is some reason why they wanted to get hold of that stock.

Mr. BROWNLEE. I have wondered about it myself.

Senator WHERRY. Was there any goodwill in the sale?

Mr. BROWNLEE. Yes, sir. The net assets to the Frankfort Distilleries at that time were \$37,500,000, and the company since prohibition had spent about \$27,000,000 in advertising. We put a price on the distillery of \$43,000,000, which represented a residue left of that advertising goodwill of 25 percent.

Senator WHERRY. The difference between that \$37,500,000 and what it actually brought was goodwill?

Mr. BROWNLEE. Yes.

Senator WHERRY. And they would have to continue the brand of Four Roses then in order to get their money back?

Mr. BROWNLEE. I would think so. I don't think they would want to discontinue it. It is a valuable brand.

The CHAIRMAN. The Frankford Distilling Co. sold out to Seagram. What are the mechanics there?

Mr. BROWNLEE. They bought the stock?

The CHAIRMAN. They bought all the stock?

Mr. BROWNLEE. They bought upwards of 95 percent of it.

The CHAIRMAN. Ninety-five percent of the stock?

Mr. BROWNLEE. Yes.

The CHAIRMAN. And did Frankford Distilleries compete with Seagram.

Mr. BROWNLEE. Always has.

The CHAIRMAN. Can you tell me how they get around section 7 of the Clayton Act—buying the stock of a competing company?

Mr. BROWNLEE. I don't know anything about the law, sir.

Senator FERGUSON. The law relative to the interlocking of directorates.

Mr. BROWNLEE. There was no interlocking.

Senator FERGUSON. No, but when they buy it out, buy all but 5 percent of the stock, the directors all resign, and then Seagram's goes in.

Mr. BROWNLEE. That is right.

Senator FERGUSON. That makes an interlocking directorate between the old Seagram Co. and the new Frankfort Co. Do you know what the Tax Division has done when the law says they shall look into those things and see whether it interferes with competition?

Mr. BROWNLEE. No, I do not.

Senator FERGUSON. This sale did interfere with competition because here was a competing plant. Isn't that true?

Mr. BROWNLEE. Yes, that is true.

Senator FERGUSON. And they secured 95 percent of the capital stock.

Mr. BROWNLEE. Seagram's made an offer, as I understand it, for \$43.50 a share. Any stockholder was free to take that offer or not. It apparently looked like a good offer to most of them. I understand that 95 percent or more has been sold to Seagram.

Senator WHERRY. I want to get this right. Fifty-five percent of the stock on hand would have gone into the manufacture of Four Roses and Paul Jones; is that right?

Mr. BROWNLEE. That is right. The stock on hand at what time?

Senator WHERRY. When you made the sale.

Mr. BROWNLEE. No, more than that.

Senator WHERRY. I thought you said 55 percent.

Mr. BROWNLEE. In a normal period our business was roughly 55 percent—those two brands.

Senator WHERRY. Would you expect Seagram to be distributing Four Roses and Paul Jones today in the same proportion you were?

Mr. BROWNLEE. At the time of approximately the sale I would assume that a considerably greater portion of Frankfort sales were in those two brands because they had run out of spirits, and I would guess that to carry on Frankfort distribution that their business on Paul Jones and Four Roses would be greater than it had ever been before.

Senator WHERRY. They would carry out your policy with respect to that?

Mr. BROWNLEE. They would unless they thought it was a bad policy and wanted to make another.

Senator WHERRY. I guess it is a dead issue now, but the chairman was interested at one time in the taking out of storage all alcohol over 4 years old. What is your opinion on that?

Mr. BROWNLEE. As a distiller I would have felt badly about it.

Senator WHERRY. Why?

Mr. BROWNLEE. Because on this line of whisky, more than 4 years, which had been built up with the thought that it should be sold in the ordinary fashion, 5, 6, 7, 8 years of age, why, you would have forced out immediately a great volume of that whisky, which would probably put these distillers in a gap position at the time they started back into production.

Senator WHERRY. And if it had gotten into the hands of the consumers, or the purchasers, you think that would have been unnecessarily hard on the distillers?

Mr. BROWNLEE. From the distiller's viewpoint it would mean that at some point he would feel the pinch of what you did today.

Senator FERGUSON. I want to get a few more facts with reference to that sale. How many stockholders were there?

Mr. BROWNLEE. About 270.

Senator FERGUSON. How was it held?

Mr. BROWNLEE. The Jones estate held about 40 percent of the stock, as I remember it.

Senator FERGUSON. Had they any connection with any other distiller?

Mr. BROWNLEE. No; no stockholder had any connection with any other distillery.

Senator FERGUSON. This 4 or 5 percent that was not purchased, was that because they wanted more than \$43.50 a share?

Mr. BROWNLEE. I don't know, sir. They may have all turned it in.

Senator FERGUSON. Were you a stockholder?

Mr. BROWNLEE. Yes. I held 25,000 shares.

Senator FERGUSON. And you turned yours in?

Mr. BROWNLEE. Yes.

Senator FERGUSON. What did you do before you went to O. P. A.? Mr. BROWNLEE. Immediately before, I was Director of Transportation of War Food Administration.

Senator FERGUSON. What about the transportation, were they able to transport grain to the distilleries, and so forth, was there any conflict on that?

Mr. BROWNLEE. Not in any major way, as far as keeping them supplied.

Senator FERGUSON. As far as the Government alcohol was concerned.

Mr. BROWNLEE. That is right.

Senator FERGUSON. Do I understand the same distributors handled the Frankfort Distillery products as handled the Big Four products?

Mr. BROWNLEE. As far as I know we didn't have any exclusive distributors that handled nothing but Frankfort. There was no pattern on it.

Senator FERGUSON. What was the name of the association there in Kentucky?

Mr. BROWNLEE. Kentucky Distillers Association.

Senator FERGUSON. What was that composed of?

Mr. BROWNLEE. That was composed of a considerable portion of the industry.

Senator FERGUSON. Frankfort had membership in it?

Mr. BROWNLEE. Yes.

Senator FERGUSON. Wasn't that an independent organization?

Mr. BROWNLEE. No; as I remember Seagram also was a member of it, Schenley was a member of it.

Senator FERGUSON. Did you get your membership by virtue of a company?

Mr. BROWNLEE. Yes.

Senator FERGUSON. So that now Seagram would have Frankfort's vote?

Mr. BROWNLEE. No. As I remember the set-up Seagram would now have one vote the same as they had before.

Senator FERGUSON. Then it doesn't go according to company?

Mr. BROWNLEE. No. Well, it goes according to companies. It doesn't go according to subsidiaries.

Senator FERGUSON. What did you have to do with the last order to fix prices on whisky?

Mr. BROWNLEE. I read it and signed it because I thought it was tighter price control.

Senator FERGUSON. So that all you did with it was read it and sign it?

Mr. BROWNLEE. I intentionally had less consultation on that order.

Senator FERGUSON. Who actually made that order?

Mr. BROWNLEE. The branch, the section.

Senator FERGUSON. Mr. Sanderson?

Mr. BROWNLEE. Yes.

Senator FERGUSON. They would be responsible for that particular order?

Mr. BROWNLEE. Yes.

Senator WHERRY. Did you disqualify yourself?

Mr. BROWNLEE. I signed the order, and I said to the Administrator that I was sorry I had to sign it, I said my name shouldn't be on it, and Mr. Bowles said, "I think you had better follow the usual procedure," and I signed it.

Senator FERGUSON. What was the purpose of the Kentucky Distillers Association?

Mr. BROWNLEE. I would say from the viewpoint of taxation, from the viewpoint of public relations, and any other matters of general interest to the distillers.

Senator FERGUSON. I noticed in your testimony that you were very careful to keep the question of anyone else having anything to do with the self-rationing by the Frankfort Distillers. Why was that?

Mr. BROWNLEE. I didn't know I was careful. I am not sure whether I understand your question.

Senator FERGUSON. Didn't you confer with any other company?

Mr. BROWNLEE. No, sir. I think the Frankfort rationing was probably put on among the first, maybe it was the first.

Senator FERGUSON. The Kentucky Distillers Association had nothing to do with that?

Mr. BROWNLEE. Nothing, and I would doubt whether—I think I have told Mr. Jones what the basis of our rationing was, but certainly I have never told, at any other time, what the base was.

Senator WHEERY. Was that typical in the industry?

Mr. BROWNLEE. I know as much about them as they would know about our method.

Senator FERGUSON. Don't you think it would have been better to fix them all rather than to have those sold in 1942, in March, keep their own price?

Mr. BROWNLEE. I think we would have got tremendous criticism, not only from the distillery business but in general, for trying to remodel business practice. I know of no other way that we could have done it except to leave those brands in as they were.

Senator FERGUSON. Doesn't it still give a big advantage to new brands to be able to go into a price field as of that date just because they have a similar mixture?

Mr. BROWNLEE. Well, not under our last legislation, I wouldn't think, the one that became effective January 6. Those prices are probably somewhere near the average of that grade, of that proof and type of whisky; I don't see that there could be any great advantage to going into new ones.

Senator FERGUSON. Do you think now that you have a price so that you discourage any new brands?

Mr. BROWNLEE. I am not trying to evade the question. I would say that at the present time that that order is a deflationary order rather than an inflationary order.

Senator FERGUSON. You can't see any advantage of going to a new brand, taking the whisky from the barrels that you sold and putting a new brand on it?

Mr. BROWNLEE. No, sir. Let me instance that. One of the Frankfort brands was a very cheap brand. Mattingly & Moore.

Senator FERGUSON. There will be no more Mattingly & Moore whisky put out?

Mr. BROWNLEE. There was only one reason it was not manufactured and that was because the spirits of the company disappeared.

Senator FERGUSON. Under this new brand order no one would put whisky into that low-priced brand.

Mr. BROWNLEE. He could call it Mattingly & Moore and put on this formula.

Senator FERGUSON. What was the formula?

Mr. BROWNLEE. Twenty-seven and one-half percent 4-year old whisky and 2½ percent neutral spirits.

Senator FERGUSON. One hundred proof?

Mr. BROWNLEE. No; I think it was 80 proof—80 or 86.

Senator FERGUSON. Under the new method though of pricing they would still put it in that brand.

Mr. BROWNLEE. No; not if you wanted to get the most money for it. Senator FERGUSON. That is what we are talking about, getting all the money they can. That is what is wrong.

Mr. BROWNLEE. I think this stops upgrading as far as the agency knows how to stop it. There is nothing peculiar in this. It is the same thing in the textile business, or in others.

Senator FERGUSON. So far as your agency knows, you have done everything you can to stop the increase in the price of liquor by branding or labeling, or any other method?

Mr. BROWNLEE. I would know offhand no way of tightening this or order further at the present time.

Senator WHEERY. The changing around of these labels; doesn't that work in direct contradiction to the theory in regard to other merchandise where they are trying to standardize?

Mr. BROWNLEE. That is one of the great problems of the agency, of course, this labeling question.

Senator WHEERY. What is the difference between whisky and rayon hosiery, for instance, in that respect? The theory there was to standardize so you could break the black market and give people more for their money. Here we have got new labels and new whiskies, apparently put in to circumvent the price. On the other hand we have the Government trying to standardize.

Mr. BROWNLEE. I am not sure I understand you.

Senator WHEERY. I know that with respect to hosiery, they wanted to standardize, the reasoning being that you could get a better product for, apparently, less money. They are doing that in the line of furniture. Where a man might have had a line of 75 dining-room sets, now they have 2.

Here, instead of standardizing, in order to conserve and cut out, maybe, the luxury class, here we have new labels coming up. Can we interpret it otherwise than these big distilleries are putting it in and doing it to make more money?

Mr. BROWNLEE. I think, Senator, your upgrading has been done not only by your big distillers but by some of the little ones. I am not trying to evade your question.

Senator WHEERY. I can't see any difference at all. Here you want to cut down, standardize everything, on the theory that you get more for your money. But in the whisky business, why, you have more labels than you had before.

Mr. BROWNLEE. Of course, as a matter of fact, from a price viewpoint, this last order is a standardizing order. No matter what label you put on, you put this price on it.

Senator WHERRY. Even though you get a new label, if it is made to certain specifications, it is really standardized.

Mr. BROWNLEE. He has no other alternative than to go to the price which the formula puts on that type.

The CHAIRMAN. Mr. Slater, Ellis D. Slater, was elected president after the sale; is that right?

Mr. BROWNLEE. Yes.

The CHAIRMAN. And he moved his headquarters from Louisville to New York; is that right?

Mr. BROWNLEE. No. Mr. Slater had been vice president in charge of the eastern territory of Frankfort with headquarters in New York all the time.

The CHAIRMAN. The Journal of Commerce made the statement that he was going to move the headquarters to New York. Did he do that?

Mr. BROWNLEE. I don't know whether he did or not.

The CHAIRMAN. This is under the date of December 31.

Mr. BROWNLEE. It was my understanding, and it was by hearsay, that the sales headquarters were to be moved. The operating headquarters. I didn't know they were being moved to New York. And some of the accounting is going to New York.

Senator WHERRY. Is there any transportation problem now in the transportation of grains to make alcohol for Government use?

Mr. BROWNLEE. Not a pure transportation problem. Of course, there is the problem of getting in more grain from Canada. There is the transportation problem there, particularly with the closing of the Lakes. That would be wheat, of course. For a long time they felt they should bring in grain from Canada if they could get the facilities. At the time I was there we were trying to get every bushel of grain we could from Canada.

Senator WHERRY. When was that?

Mr. BROWNLEE. From May to August.

Senator WHERRY. 1943?

Mr. BROWNLEE. Yes.

Senator WHERRY. Do you know how many bushels of wheat we imported from Canada in 1943?

Mr. BROWNLEE. Of wheat?

Senator WHERRY. Yes. We had an expert on that before this committee, and he said, as I got it, that for 1943 it was a million bushels, and for 1942 it was about the same.

Mr. BROWNLEE. I can't think that that figure is right.

I would think it was far off. It would be a great many million bushels.

The CHAIRMAN. Do you fix the price of industrial alcohol?

Mr. BROWNLEE. Yes.

The CHAIRMAN. What do you take into consideration in fixing a price for that?

Mr. BROWNLEE. Production cost plus a factory overhead, plus an administration charge, plus a 3-cent margin.

The CHAIRMAN. The distillers; how are they paid?

Mr. BROWNLEE. On however their formula works out. They get actual overhead and actual administrative expense, up to those figures, and then what the margin of profit is above that.

The CHAIRMAN. What is the average price?

Mr. BROWNLEE. I would have to look that up.

The CHAIRMAN. Around 2 cents a gallon; isn't it?

Mr. MATTICE. 2 cents a gallon profit.

The CHAIRMAN. Is that right?

Mr. BROWNLEE. I think the smaller ones get up to 3 cents and the larger ones 2. But I may not be accurate on that.

The CHAIRMAN. What do you know about this stillage, the refuse after distillation—is that the proper name for it?

Mr. BROWNLEE. You have dried grains and you have slop, either one.

The CHAIRMAN. Do you know about its content for feeding purposes?

Mr. BROWNLEE. Well, I am a pretty poor production man, Senator.

The CHAIRMAN. Senator Wherry, any more questions?

Senator WHERRY. No.

The CHAIRMAN. Mr. Mattice?

Mr. MATTICE. One thing. You said something about consumption having been tremendously increased lately, Mr. Brownlee.

Mr. BROWNLEE. Demand.

Mr. MATTICE. Well, that, of course, is the first step in consumption, isn't it?

Mr. BROWNLEE. If you get it; yes, sir.

Mr. MATTICE. Now, recalling that before the period of prohibition, the figures from the Internal Revenue Department show, as reflected by withdrawals from bond, showed that the apparent consumption in this country of domestic spirits was 80,000,000 gallons a year, and after the prohibition period, during the 4-year period from the end of prohibition until 1938, surprising as it may seem, the annual consumption in this country was only 70,000,000 gallons. In other words, the consumption was less after the prohibition experiment, although the population of the country was larger, and those were fairly prosperous times, during the World War and for several years after.

I am wondering if you have any opinion as to what the consumption, based on withdrawals from bond, would be for the present time, say for the year 1943, having in mind that it was below 100,000,000 gallons both before and after prohibition.

Mr. BROWNLEE. I haven't those figures.

Mr. MATTICE. Well, of course, the withdrawals in recent months have not been as heavy as previously, but you spoke of the demand, you spoke of people having more money to spend, which means, of course, that they are buying it, and which must mean that they are drinking a good deal of it. Would you care to hazard a guess on the national consumption nowadays?

Mr. BROWNLEE. You mean if everybody was a free seller?

Mr. MATTICE. I mean actually.

Mr. BROWNLEE. No, sir.

Mr. MATTICE. Would you think it would be as much as or more than the period 1934 to 1938?

Mr. BROWNLEE. I think very much more.

Mr. MATTICE. Would you say it would be double?

Mr. BROWNLEE. I would think that the industry, on unlimited supplies, could easily be selling one hundred eighty to two hundred million gallons. That is just my own guess.

Mr. MATTICE. What is your principal reason for that opinion? What would cause the people to be using so much more?

Mr. BROWNLEE. The reason for the opinion is the fact that previously there were quite intensive sales and advertising efforts; we were having a great deal of difficulty selling our share of the 80,000,000 gallons. In 1942 it became very easy to sell that, and in 1943 they began to beg for it. Obviously, it seems to me, they must have wanted more than they could get. During 1942, I think, when the figures went up, they were in 130,000,000. It was very easy to sell that.

Mr. MATTICE. That is all.

Senator WHERRY. From a practical point of view, with this deflationary price, do you anticipate more moonshine whisky being produced this year?

Mr. BROWNLEE. No. It would be hard to get the materials to make the stills.

Senator WHERRY. You do not think that is an alarming factor?

Mr. BROWNLEE. I don't think so as long as those factors continue.

Senator WHERRY. What about the importation of this blackstrap? What is it used for?

Mr. BROWNLEE. Blackstrap is used for two purposes, for either distilling or for feeding purposes. Mixing it with feed for animals. Roughly, those are the two. What we were anxious to do in war production was to step up the molasses imports to relieve the pressure on grains and deliver it over to the distillers. We had been importing 9½ million gallons per month for use in the Gulf ports, and just before I left there was an agreement that they would import an additional 20,000,000 gallons a month which would largely take care of the material for the production of alcohol in all of the industrial alcohol plants located on the seaboard.

Senator WHERRY. Do you think that the sugar situation is becoming more acute?

Mr. BROWNLEE. I wouldn't think so.

Senator WHERRY. You think there is plenty of it left and will be this year?

Mr. BROWNLEE. That is my personal opinion.

Senator WHERRY. Then why do we ration it?

Mr. BROWNLEE. Well, of course, there are two things in regard to sugar. In the first place, is there enough in the Caribbean, and in the second place is there enough here? There are two sides in the rationing of sugar. One is the rationing for industrial use and one for consumer use.

Senator WHERRY. Take coffee, when you got enough coffee and took it off the rationing list it stopped inflationary prices, people got what they wanted and were satisfied.

Mr. BROWNLEE. Yes.

Senator WHERRY. Wouldn't the same thing happen in sugar, or is there some other purpose in rationing it?

Mr. BROWNLEE. I think coffee is different from sugar in this way. Coffee is a final consumption product. I wouldn't personally have any fear if we eliminated rationing that the household use would go up on sugar, but it is the industrial use. I would guess you would have a very heavy demand there.

Senator WHERRY. For use in illicit stills?

Mr. BROWNLEE. If they could get the stills, probably, yes.

Mr. MATTICE. Why can't they get them?

Mr. BROWNLEE. Because there is scarce material involved.

Mr. MATTICE. They got the material during prohibition. They used second-hand material. They don't care whether it is new. They made them in those days out of anything.

Mr. BROWNLEE. Undoubtedly, if you have plenty of material to make stills and have a plentiful supply of sugar, and you have your present high taxation situation, there is no doubt in my mind that you would have an increase in illegal distilling.

Senator WHERRY. Can you use this blackstrap for industrial purposes the same as sugar?

Mr. BROWNLEE. No. It has a sugar content in it, but, of course, has a very heavy flavor, too.

Senator WHERRY. Aren't some of these imported things made from blackstrap?

Mr. BROWNLEE. Yes; I imagine there is a good deal of these imported things made from blackstrap.

Senator WHERRY. We don't get any tax there?

Mr. BROWNLEE. You get an import tax on it. I believe it is \$2.50 a gallon plus your excise.

Senator WHERRY. If they raise this Federal tax on liquor, would that have any effect on the production of moonshine in this country?

Mr. BROWNLEE. If they had the materials, I would say it would have that tendency.

Senator WHERRY. In the end would we lose as much grain that way as if we had a liquor holiday, for example, could use so much grain?

Mr. BROWNLEE. Very small percentage of the total crop, of course.

Senator WHERRY. Would we lose just as much grain that way, and also the revenue, or don't you think it would be a factor?

Mr. BROWNLEE. Yes; anytime you lose legal revenue, and some production, I think it is a factor.

The CHAIRMAN. In fixing the price on whisky, do you make an allowance for advertising expenditures?

Mr. BROWNLEE. None of the regulations are written on any other basis excepting a freeze formula which goes back to your March 1942 price, on a straight price, and there is no consideration of the advertising factor.

The CHAIRMAN. In the March 1942, price list were advertising expenditures figured in, in fixing the price of whisky.

Mr. BROWNLEE. They were not figured at all, as I understand it. They simply took the price and froze it along the line at all levels. Now the distillers had advertising expense in that, of course.

The CHAIRMAN. This same Sengram concern that bought out Frankfort, spent over \$4,643,000 for advertising in 1942. Doesn't that enter into the price that was in effect in March 1942?

Mr. BROWNLEE. I suppose that gets back to the old question of how much relation to price advertising has.

Senator WHERRY. About this huge importation in gin and rum, why shouldn't they be placed on a quota basis? As long as there is no production of whisky domestically, why let them import it and substitute it?

Mr. BROWNLEE. I see no objection to it. I don't know what the mechanics would be.

Senator WHERRY. That is what they are doing, aren't they?

Mr. BROWNLEE. Importing it; yes. You mean to restrict it?

Senator WHERRY. By a quota.

Mr. BROWNLEE. It could be put under an order and restricted, yes.

Senator WHERRY. Why shouldn't it be?

Mr. BROWNLEE. Certainly no objection from Price Administration, sir.

Senator WHERRY. When they bring that in, when they come in, how do you price gin and rum; do you have a ceiling price?

Mr. BROWNLEE. Yes. It is priced, as I understand it—of course, if a new brand comes in today—Mr. Sanderson can tell you more about this—why, it would take the formula price. As I understand the principle of price has been the cost of it plus some mark-up. It is based on your cost plus your taxes, plus some mark-up.

Senator WHERRY. Is there a differentiation as to quality?

Mr. BROWNLEE. As I understand it, under the price formula we do not differentiate.

Senator WHERRY. You do not differentiate as to quality. Their quality is inferior to ours in the same price bracket; is it not?

Mr. BROWNLEE. I have never tasted any of it. They tell me so. It would be pretty hard—I think it would be impossible to take a whisky of the same age and proof and type and try to write a pricing order which would differentiate between them.

Senator WHERRY. In a way though, that is unfair to our producers.

Mr. BROWNLEE. It would be if they were able to supply the market.

Senator WHERRY. Well, that doesn't make any difference. Why should we give them the break over there?

Mr. BROWNLEE. How much less would you say a gallon of Cuban gin was worth than a gallon of American gin?

Senator WHERRY. I don't know. But you said it was inferior.

Mr. BROWNLEE. But I don't know the measure of that difference, sir.

Senator WHERRY. That is all.

The CHAIRMAN. Is that all of the witnesses for today?

Mr. MATTICE. Yes.

The CHAIRMAN. The committee will meet next Tuesday.

(Whereupon, an adjournment was taken until Tuesday, January 25, 1944.)

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LIQUOR INDUSTRY

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. Res. 206

A RESOLUTION AUTHORIZING AN INVESTIGATION
OF THE ALCOHOLIC BEVERAGE INDUSTRY

PART 3

MAY 4, 5, 11, 18, 19, 20, AND 24, 1944

Printed for the use of the Committee on the Judiciary



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1944

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III

LIQUOR INDUSTRY

THURSDAY, MAY 4, 1944

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met, pursuant to call, at 10 a. m. in room 457, Senate Office Building, Senator Pat McCarran (chairman) presiding. Present: Senators McCarran (chairman), Murdock, and Ferguson. Also present: Senator Lucas; J. G. Sourwine, committee counsel. Present before the subcommittee were Mr. Donald Nelson and Mr. Walter G. Whitman.

The CHAIRMAN. The committee will come to order.

This is a resumption of the hearings heretofore conducted by our late lamented colleague, Senator Van Nuys, under Senate Resolution 206.

Mr. Donald Nelson and Dr. Walter Whitman are present with us and we would like to have them both come forward together.

Mr. Sourwine, the counsel for the committee, will proceed with the interrogation.

Mr. SOURWINE. Mr. Chairman, I want to start out questioning Mr. Nelson this morning, but preliminary to that I should like to spend 4 or 5 minutes clearing up possible misunderstandings by asking Mr. Whitman about a few definitions.

The CHAIRMAN. You may proceed.

STATEMENT OF DONALD G. NELSON, ACCOMPANIED BY DR. WALTER G. WHITMAN

Mr. SOURWINE. When you speak of industrial alcohol, what do you mean?

Mr. WHITMAN. Alcohol at 190 proof, which is alcohol-95 percent pure.

Mr. SOURWINE. Ethyl alcohol?

Mr. WHITMAN. Yes; ethyl alcohol.

Mr. SOURWINE. You don't mean wood alcohol?

Mr. WHITMAN. Wood alcohol is described as methyl alcohol, or methanol.

Mr. SOURWINE. And the so-called synthetic alcohol may be either ethyl or methyl?

Mr. WHITMAN. Yes; but when we speak of synthetic alcohol in this program we are talking about ethyl.

Mr. SOURWINE. When you say "synthetic" you mean synthetic ethyl?

Mr. WHITMAN. Yes.

Mr. SOURWINE. What is the War Production Board's definition of industrial alcohol?

Mr. WHITMAN. Ethyl alcohol of 190 proof, approximately.

Mr. SOURWINE. You don't have any broader definition? That is, above 160 proof, or something like that?

Mr. WHITMAN. In the various orders—I believe there are technical definitions of ethyl alcohol as it appears in the orders.

Mr. SOURWINE. Is alcohol other than ethyl substantially used for the war program?

Mr. WHITMAN. Not for the purpose of butadiene and styrene—

Mr. SOURWINE. Isopropyl and isomyl are used for antifreeze?

Mr. WHITMAN. Particularly the methyl or methanol and, secondly, isopropyl.

Mr. SOURWINE. What is a proof-gallon?

Mr. WHITMAN. A proof gallon is the terminology which is applied primarily in the beverage industry. A gallon of liquid which contains 50 percent alcohol is described as a gallon of 100-proof alcohol. The proof is twice the percentage. It is general terminology in the beverage industry to talk about a proof-gallon when one means a gallon of 100-proof alcohol.

Mr. SOURWINE. In its technical connotation, however, it means the equivalent of alcohol at 100 proof, does it not?

Mr. WHITMAN. That is correct.

Mr. SOURWINE. What is a tax gallon?

Mr. WHITMAN. I believe a tax gallon is a proof gallon, but I am not an expert on that point.

Mr. SOURWINE. Would you say it is substantially correct that a tax gallon is essentially the same as a proof-gallon?

Mr. WHITMAN. I think so.

Mr. SOURWINE. The difference being that when the storekeeper-gauger goes to the tank and measures it to determine the proof gallons, the proof is taken out to the second decimal point; and then for tax gallonage they drop the last figure of the decimal?

Mr. WHITMAN. That may be true, sir. I am not an expert on that.

Mr. SOURWINE. I asked you that question because the terms are constantly used and I wanted to show they might be used interchangeably since the maximum possible error in converting from proof gallons to tax gallons is one-tenth of 1 percent. A wine gallon is what, sir?

Mr. WHITMAN. A wine gallon is often described as a gallon expressed as if it were 190 proof. I think there is some confusion in the usual terminology of wine gallon and it is not always so expressed. For that reason I always avoid the use of the term "wine gallon" and talk about a gallon of 190-proof alcohol.

Mr. SOURWINE. Technically a wine gallon is 231 cubic inches liquid measure?

Mr. WHITMAN. I think so.

Mr. SOURWINE. In your statements in the press and also before the Gillette subcommittee, industrial alcohol has always meant 190 proof unless otherwise indicated?

Mr. WHITMAN. Yes.

Mr. SOURWINE. And when we speak of a wine gallon we mean 231 cubic inches liquid measure?

Mr. WHITMAN. Yes.

Mr. SOURWINE. Do War Production Board figures on alcohol production and stocks include the production and stocks of high wines?

Mr. WHITMAN. Yes; they include the production of high wines. The stocks of high wines are so small and reasonably constant that we do not include the stocks of high wines as part of the total stock pile.

Mr. SOURWINE. You mean high wines awaiting redistillation?

Mr. WHITMAN. High wines awaiting redistillation.

Mr. SOURWINE. A figure which does not change very much?

Mr. WHITMAN. That is correct, and it is very small.

Mr. SOURWINE. When you talk of production or requirements for the year 1944 do you mean the fiscal year or the calendar year?

Mr. WHITMAN. Calendar year.

Mr. SOURWINE. And in your official statements and testimony now and previously, when you say "year" it is to be assumed you mean calendar year unless otherwise specified?

Mr. WHITMAN. That is correct.

Mr. SOURWINE. We can understand in our discussions that when we say "year" it means calendar year.

Mr. WHITMAN. That is correct.

Mr. SOURWINE. Now, I should like to ask Mr. Nelson some questions.

We understand you head a very large agency of which the chemical branch is a relatively small part, and we don't expect you to have all the facts and figures in your head, and if we ask any questions, the answers to which are not immediately in your mind, please feel perfectly free to call on Dr. Whitman or someone else. And you, Dr. Whitman, if we ask Mr. Nelson any questions you think he doesn't know the answer to, feel perfectly free to volunteer the answer.

Mr. NELSON. Very well.

Mr. SOURWINE. Is there any question in your mind concerning the advisability of releasing alcohol for beverage uses providing such release will not interfere with the war effort?

Mr. NELSON. Not at all, sir. In attempting to carry out our responsibility in the War Production Board it has never been our policy to exercise a censorship on any business in the United States.

We have tried, within the limits of our ability, to assure proper supplies to carry on this war and the essential civilian economy, looking toward winning the war in the shortest possible space of time, and it is not our purpose to curb or interfere with any business in the United States unless in our judgment it is essential to do so in order to provide the materials that we need to carry on this war.

Mr. SOURWINE. It is my understanding that some months ago the War Production Board took the initiative in proposing a "holiday" for the manufacture of beverage alcohol. Is that correct?

Mr. NELSON. No, sir. I may say it would be correct to say that the War Production Board reviews very carefully the situation on alcohol as it does on all other materials, follows them very closely, and at one time it looked as if we would not need the full production of the distilling industry in order to provide the necessary materials for war.

But just about the time we were reviewing it and had come to the conclusion that some of the capacity could be released, the increased

requirements came in for butadiene from alcohol, and at the same time tremendously increased rubber requirements upon the part of the Army.

Senator FERGUSON. Was that a voluntary review on your part or was it a request from someone?

Mr. NELSON. I would say, Mr. Senator, that the industry is constantly pressing us to find a solution of this alcohol problem.

Senator FERGUSON. Was it on a petition or an oral application?

Mr. NELSON. Oh, oral, and I think written; a great many of them. We have had innumerable requests from the industry.

Senator FERGUSON. Could the committee get those applications or petitions?

Mr. NELSON. We would be glad to give you all that we have, but I might say this: We review every one of these materials where the situation is critical—I personally review them at least once a month.

I doubt if a month has gone by from 1941 to date that I have not reviewed alcohol.

Senator FERGUSON. Back about 1943, along in August, there was a review?

Mr. NELSON. We review it every month, sir. Alcohol is under constant review.

Senator FERGUSON. Let's take the particular time that the telegrams were ready to be sent out to the industry, so we will have one time that we are talking about.

Mr. NELSON. Yes, sir.

Senator FERGUSON. You did find that there would be a release or a breathing time to make alcohol for beverage purposes?

Mr. NELSON. Yes, sir.

Senator FERGUSON. Was that review made, and that finding made, on an application, or was it a voluntary review?

Mr. NELSON. That was a voluntary review.

Senator FERGUSON. That was not upon an application for alcohol for beverage purposes?

Mr. NELSON. That particular one was not.

Mr. SOURWINE. You say it would be incorrect to say that the War Production Board took the initiative in that effort to insure a beverage "holiday"?

Mr. NELSON. Now, I think we are getting off the subject here. As I see the picture, it is not our job to determine whether this alcohol should be used for beverage or for anything else. We have to have certain supplies of alcohol in order to carry on the war effort.

Now, that includes the matériel for the Army, Navy, and the Lend-Lease for our allies, and the essential civilian economy. That is our job as we do with tens of thousands of other things, copper, steel, mica, and so forth, and we could go on with a list of chemicals that you would never be able to recognize. Those are reviewed constantly.

Our job is not to interfere with any industry in the United States or anything that they do except insofar as we consider it necessary in order to insure the supplies for the war effort.

The CHAIRMAN. To aid this record, request was made for presentation for the record of petitions or requests, coming from the industry to the War Production Board, for a "holiday" or for an opportunity to increase our manufacture for beverage consumptive purposes.

Will you kindly give us those records, or see that they are furnished?

Mr. NELSON. We will be glad to furnish them to you.

The CHAIRMAN. Can it be done today?

Mr. NELSON. We will try to get it for you.¹

Mr. SOURWINE. I want to explain why I asked two questions about the initiative of the matter. Mr. Chairman, you will recall that during the conference with Mr. Morgenthau, Mr. Whitman spoke of the possibility of a holiday having been considered by the W. P. B. and said that the W. P. B. had a little feeling last fall that that situation might come and had developed plans and just about that time the industrial alcohol situation took a turn for the worse and those plans had to be foregone.

And I asked him, "Do I understand the initiative came from the War Production Board?" And he said, "It came from the War Production Board; yes, sir."

I wanted to clear up on that point as to who took the initiative.

Mr. NELSON. I think it is fair to say that I think the industry has cooperated wonderfully at our request, and have been as cooperative as any single industry we have dealt with, and I think it is only fair to say that we have been interfering with their natural business.

Senator FERGUSON. Has it been surprising that they have cooperated?

Mr. NELSON. Not surprising at all. American industry, I think, has truly cooperated in doing the necessary things as long as they think it is essential. I have tried to conduct the War Production Board on the basis that the American people will do everything possible if they think it is necessary and that all are making the necessary sacrifices, and I can truthfully say that all industries we have dealt with have cooperated.

You know from your experience in the Congress how few complaints you have had from industries.

When they have to do things that are against their normal desires they have to be convinced. Just as in this industry—

Senator FERGUSON. But have they cooperated in any different way than any other industry?

Mr. NELSON. No, sir. I think they have cooperated the same as all American industry.

Senator FERGUSON. Do you know who determined the fact that they were to go on cost-plus contracts?

Mr. NELSON. I don't know the history of that contract thing. We merely recommend to the R. F. C. that we need certain things and they contract with the industries. We have never signed an alcohol-procurement contract in the War Production Board nor have we dictated the terms of the contracts.

Senator FERGUSON. And you have nothing to do with whether or not it is a cost plus or not a cost-plus?

Mr. NELSON. We do not, sir.

Mr. SOURWINE. In any event, a beverage "holiday," so-called, was considered last fall and early summer?

Mr. NELSON. We reviewed it in the first quarter, we reviewed it in the second quarter, and we reviewed it in the third quarter.

¹ See p. 715.

Mr. SOURWINE. As Senator Ferguson called to your attention there was a time, I believe in August,¹ where the situation had reached the point that telegrams had been prepared.

Mr. NELSON. Yes.

Mr. SOURWINE. Did the plan fall through because of opposition from the Food Administration, or for some other reason?

Mr. NELSON. Opposition came in very suddenly from Bradley Dewey. His butadiene plants began coming through and he saw they could be worked at extra capacity.

It is not the function of the War Production Board to determine whether they should make beverage alcohol or not. That is the function of the War Food Administration.

Naturally we discussed a matter of this kind. When the War Food Administration was called they took over the beverage alcohol industry from us and—

Mr. SOURWINE. There was an increase in the demand for alcohol for synthetic rubber around August 1943?

Mr. NELSON. That is right, and an increase in demands from the Army. They found airplane tires were wearing out more rapidly than expected and we have had to go into a tremendous expansion of synthetic rubber and high tenacity rayon to find the cord necessary for the increased requirement of tires, and, of course, the tires for the essential civilian population as well.

Mr. SOURWINE. On April 20, 1943, the War Production Board estimated that their military requirements for rubber for 1943 would be 61.1 million gallons; on October 20, 1943, the estimate of requirements for alcohol for direct military use was 43.3 million gallons, and yet you say you had an increase in that requirement during August.

On April 20, 1943, the estimate of requirements for the synthetic rubber program was 144.5 million gallons; and on October 20, 1943, the estimate of requirements for the synthetic rubber program for 1943 was 129.8 million gallons.

Where did that sharp increase come in, please, sir?

Mr. NELSON. Mr. Chairman, Mr. Whitman will explain that.

Mr. WHITMAN. We are talking about the estimated requirements for which the year 1943 was only a small part. We were primarily concerned with what the needs of 1944 were going to be.

I should explain that practically every 5 weeks we prepare a new set of requirement estimates and the April figures were in turn outdated by figures made in May, June, July, and so forth.

On the basis of the figures we last had before this August date to which you refer, our rubber requirements were less than the new figures which Bradley Dewey supplied right at that time in August and were primarily concerned with the 1944 requirements; 1943 was minor in comparison with 1944.

Mr. NELSON. We have been accumulating alcohol in the stock pile above our requirements for future requirements.

Mr. SOURWINE. Yes. Do you have any data, Mr. Nelson, of the authority of the War Production Board to permit a beverage "holiday" or release alcohol from Government stocks for beverage purposes?

Mr. NELSON. As I told you, the War Food Administration has the whole Beverage Alcohol Division.

¹ After reviewing the testimony, Dr. Whitman advised the committee this date was in September, not August.

Mr. SOURWINE. You do not have the authority to release distillers so they may make alcohol for beverage purposes?

Mr. NELSON. Will you please let me finish?

Mr. SOURWINE. Pardon me.

Mr. NELSON. Whether the industry can get grain or not depends on the War Food Administration. Our authority is concerned with how much of the production we need. We do not determine and it is not my function to determine whether the alcohol industry makes beverage or any other kind of alcohol.

Senator FERGUSON. Do I understand you have nothing to say as to how much shall go to antifreeze?

Mr. NELSON. On the essential civilian requirements we do.

Senator FERGUSON. Let's take cosmetics.

Mr. NELSON. We do.

Senator FERGUSON. Is that essential?

Mr. NELSON. We think it is.

Senator FERGUSON. Is there any person getting alcohol that you have not considered as engaged in producing essential civilian requirements?

Mr. NELSON. Not that I know of.

Senator FERGUSON. Then we understand you have the power to determine first the war needs, and second, the civilian requirements, and to determine what are essential civilian requirements.

Mr. NELSON. That is right, sir.

Senator FERGUSON. So you do determine whether or not beverage alcohol is made by eliminating it from the civilian requirements?

Mr. NELSON. If you want to go at it indirectly.

Senator FERGUSON. Doesn't it amount to that?

Mr. NELSON. I do not agree, sir.

The CHAIRMAN. You fix what is essential?

Mr. NELSON. We fix what is essential.

The CHAIRMAN. Therefore you fix what is nonessential?

Mr. NELSON. But you asked me the direct question, do we consider it our authority to ask them to make beverage alcohol.

Mr. SOURWINE. I think we got a little off the track. I asked you if you had any doubt of the authority of the War Production Board to permit a beverage holiday or to release ethyl alcohol from Government stocks.

Mr. NELSON. I say it is not my function to determine whether or not beverages shall be made. My authority extends to the question of whether we have alcohol to meet the essential civilian needs and the military requirements. When you ask if I have the authority to permit alcohol for beverage—

Mr. SOURWINE. Do you know whether there is an order from any Government agency now which prohibits distillers from starting to make whiskey again instead of making alcohol for the war effort?

Mr. WHITMAN. I should say that order M-69, as we are now applying it, would effectively prohibit the distiller from making beverages as long as the War Production Board elects to take its complete output for industrial alcohol.

Mr. SOURWINE. That is your election?

Mr. WHITMAN. Yes.

Mr. SOURWINE. You could elect not to take its complete output?

Mr. WHITMAN. Yes.

The CHAIRMAN M-69 is an order of the War Production Board?

Mr. WHITMAN. Yes.

Senator FERGUSON. When was it made?

Mr. WHITMAN. It was originally put out in February 1942, and is, of course, now subject to various amendments.

Senator FERGUSON. I understood you to say the way you are now interpreting it.

Mr. WHITMAN. Well, if I said that I did not mean interpreting. The War Production Board could, of course, make exceptions to its order. It is within the power of the War Production Board?

Mr. SOURWINE. I presume that is what was contemplated or intended at the time these telegrams were prepared, to make an exception under that order.

Mr. WHITMAN. The telegrams were merely telegrams which would release the distiller from the requirement of supplying industrial alcohol and had nothing to do with what he could do with his facilities, whether he could get grain and so forth.

The CHAIRMAN. You determined you had the authority to make that order?

Mr. WHITMAN. To release the distiller from 100 percent war production.

Senator MURDOCK. May I interrupt? Don't the answers of the two witnesses bring us to this conclusion: That they do have the authority and power to say how much of the alcohol being manufactured is necessary for war purposes and essential civilian purposes?

Mr. NELSON. That is right, sir.

Senator MURDOCK. And after that their authority ceases.

Mr. NELSON. You have stated it 100 percent as I conceive it.

Senator FERGUSON. The order does require everyone with the capacity to make alcohol in the United States to use those facilities to their utmost extent to produce alcohol?

Mr. WHITMAN. If you will restrict that to the grain distilled spirits industry, the answer is "Yes".

Mr. SOURWINE. May I go to the second half of my question now? Is there any doubt in your mind about the War Production Board's authority to release from Government stocks alcohol for beverage purposes?

Mr. NELSON. I have never thought in those terms, in terms of releasing stocks for beverage purposes.

Our whole thinking has been how much of this capacity do we need in order to take care of the requirements we are called upon to fill.

Mr. SOURWINE. Let me start at a little lower level. Do you control the stocks of industrial alcohol in the country?

Mr. NELSON. We control the release. We built up the stock pile against future requirements and consider the stock pile as part of our supply. Whether we could release any of that stock pile for beverage purposes or not I have not given any consideration to.

Generally we control the release of the stock pile, in this way: If the stock pile were no longer needed we would tell R. F. C., who buys the alcohol, that we no longer need it for military requirements or essential civilian requirements.

Mr. SOURWINE. You would not direct it to put that surplus alcohol to any particular use?

Mr. NELSON. Except as it is necessary to direct it into war uses or uses for the civilian economy.

Senator FERGUSON. Mr. Nelson, have the whisky or alcohol manufacturers for beverage purposes ever made a formal application to have the making of alcohol for beverage purposes declared an essential civilian requirement?

Mr. NELSON. There have been members of the industry who feel it should be declared essential.

Senator FERGUSON. My question was, Have they ever made a formal application?

Mr. NELSON. I don't know of a formal application. Most of the applications are not made formally.

The CHAIRMAN. Has there been a communication?

Mr. NELSON. I think so, sir. I will look that up.

Senator FERGUSON. If you can furnish that to the committee, also, we would like to have it.¹

Mr. NELSON. I have had members of the industry make representations to me that they consider it as essential as cosmetics or other things.

Senator MURDOCK. Suppose, Mr. Nelson, that the War Production Board concluded that it has a surplus, let us say, of 100,000 gallons of alcohol over and above all its war needs, and above all essential civilian needs. What is your authority with reference to that surplus?

Mr. NELSON. What would we do if we were to determine that it is no longer needed? Mind you, when we think in terms of stock piles we think on long range as well as short range, and our judgment would never be good enough to determine whether or not we would need 100,000 gallons. If you say 100,000,000 we could illustrate it.

Senator MURDOCK. I will say 100,000,000.

Mr. NELSON. Well, let us suppose today that we see butadiene coming from petroleum to a point where it would take care of our requirements without forcing the alcohol plants, and we didn't need the butadiene for 100-octane gasoline and we saw the stock pile rising and the requirements falling off, then we would release the money that was tied up in the stock pile and we would then tell Mr. Jesse Jones that we no longer needed the stock pile and he would dispose of it to the best advantage.

Senator MURDOCK. Then, as I understand, your authority would be exercised by notifying Mr. Jesse Jones of the R. F. C.?

Mr. NELSON. And notifying him with respect to the stock pile. And also, at the same time, we would take action on M 69 restricting the production for only the certain things which we needed. We would change that.

Senator MURDOCK. As to what happens to it afterward that isn't your business?

Mr. NELSON. I do not consider it as my function.

Senator FERGUSON. Whose function is it to go out and get the industry to add equipment to make more alcohol?

Mr. NELSON. Ours, sir.

Senator FERGUSON. And have you done that?

Mr. NELSON. Yes, sir; we have.

Senator FERGUSON. And when have you required more alcohol from the manufacturers by requiring them to add equipment?

¹ No such communication was subsequently furnished to the committee.

Mr. NELSON. From the very start. Whenever we get to a point where we see the shortage of any particular commodity we take two actions; either both together or simultaneously, or one or the other. We increase the supply and at the same time cut out the less essential uses.

Senator FERGUSON. When is the last time that you made a survey as to whether or not the industry can produce more with better equipment or new equipment?

Mr. NELSON. I will let Mr. Whitman answer that.

Mr. WHITMAN. Such surveys are being made all the time.

Senator FERGUSON. Can you increase the capacity?

Mr. WHITMAN. Capacity is being increased by new plants which were authorized, in the plants that are coming into production, or expansions and improvements under existing plants.

Senator FERGUSON. Have you any applications now on file from the industry who have made beverage alcohol, that they be permitted to increase their efficiency by new equipment or new methods?

Mr. WHITMAN. Yes.

Senator FERGUSON. And have they been granted that privilege or not?

Mr. WHITMAN. Insofar as in the judgment of the War Production Board it could be justified. We have not for a long period of time approved applications which were designed to increase production by increasing the consumption of grain, and that has been at the specific request of the War Food Administration who have been concerned over grain consumption for alcohol.

Senator FERGUSON. What agency's concern is it to determine what amount of alcohol shall be brought from other countries, let us say Puerto Rico or Cuba? Who determines that?

Mr. WHITMAN. The War Production Board makes requests of Mr. Jesse Jones or the Foreign Economic Administration, as the case may be, to secure maximum amounts from foreign sources.

Mr. NELSON. May I go a step further? In determining that, of course, the State Department and the F. E. A. both come into play in determining those quantities, because under the set-up F. E. A. buys for us from foreign sources and R. F. C. from domestic sources.

Senator FERGUSON. After the alcohol comes in here who determines for what purpose it shall be used? Let's say that Cuba furnishes us alcohol. Now, it comes into this country. Who determines whether it can be used for beverage purposes or if it must go into the war effort or for essential civilian needs?

Mr. NELSON. If they deliver it as rum it goes into the normal channels.

Senator FERGUSON. Then I understand that the industry could go to these outlying places or even to Canada and obtain all the alcohol they desired for beverage purposes without any interference from W. P. B. or any other agency you know of?

Mr. NELSON. The quotas have been set.

Senator FERGUSON. Have they been set all along the line to prohibit the use of alcohol from those sources?

Mr. NELSON. The quota has been set on the amount they can ship.

Senator FERGUSON. Who placed that?

Mr. NELSON. The War Production Board, cooperating with the State Department and F. E. A.

Senator FERGUSON. Can you give a reason for passing that?

Mr. NELSON. Very definitely.

Senator FERGUSON. Will you give it?

Mr. NELSON. We want to get more molasses because we can make alcohol from molasses. We want to save our grain and it is necessary to get molasses from every place we can possibly get it, and if it came in as beverage alcohol we would not get the molasses and would not be able to make the industrial alcohol we need.

Senator FERGUSON. Do you know of any stipulation that the Cuban Government ever made saying that the amount of alcohol they would send in could not be used for the purpose of increasing a quota to make beverage alcohol?

Mr. NELSON. I don't get the question. You answer it. [Indicating Mr. Whitman.]

Mr. WHITMAN. I understand that the Cuban Government requested of our representatives that such a restriction be applied and the F. E. A. and the State Department refused to agree to any such stipulation.

This applies, sir, to the stipulation that if Cuba supplies certain molasses and alcohol to us here in the United States, there shall be no release of industrial alcohol for beverage purposes.

Senator FERGUSON. How do you account for Cuba making that request?

Mr. NELSON. You should ask that question of F. E. A. You can get the full particulars there.

The CHAIRMAN. If you have knowledge, the committee would like to have it.

Mr. NELSON. We were not there when the trades were made, and I believe if you ask them you could get full information because we operated at their request.

Senator FERGUSON. Does not your order now limiting the quota that can come in for beverage purposes amount to a compliance with the Cuban request?

Mr. NELSON. I would not be able to say that. I don't know whether that was F. E. A.'s request or a compromise or part of a trade. I would not be able to say.

Senator FERGUSON. Do I understand that from your knowledge you do not believe that any of these countries can produce any alcohol for beverage purposes more than you are taking for industrial and beverage purposes?

Mr. NELSON. I have no authority and Congress has no authority over what Cuba produces. We do over the Virgin Islands and Puerto Rico.

Senator FERGUSON. Is there a limit on the Virgin Islands and Puerto Rico?

Mr. NELSON. Very definitely.

Senator FERGUSON. You have limited the Virgin Islands and Puerto Rico?

Mr. NELSON. That is right, sir.

Senator FERGUSON. And therefore they are unable to make any alcohol for beverage purposes?

Mr. NELSON. A certain amount that they can send in for beverage purposes.

Senator FERGUSON. How much is coming in for beverage purposes from the Virgin Islands?

Mr. WHITMAN. The production quota for the year is 7,300,000 proof gallons.

Mr. FERGUSON. For beverage purposes?

Mr. WHITMAN. For beverage purposes.

Senator FERGUSON. Is that their entire capacity or have they idle capacity?

Mr. WHITMAN. I think that is not their entire capacity. That is somewhat more beverage than was shipped to the United States last year. It is somewhat less than the total amount which they produced last year.

Senator FERGUSON. What about Puerto Rico?

Mr. WHITMAN. I was speaking of Puerto Rico, sir.

Senator FERGUSON. The Virgin Islands?

Mr. WHITMAN. The same principle applies.

Senator FERGUSON. How many gallons are coming in?

Mr. WHITMAN. We are exercising no control over the amount coming in, but merely on the amount which is produced, and the quota is set for 2,300,000 proof gallons.

Senator FERGUSON. So the industry is able to get that amount of alcohol from the Virgin Islands for beverage purposes and no more, even though their capacity to manufacture is greater?

Mr. WHITMAN. That is not true; sir. This is a production control. There are stocks of beverage alcohol in both the Virgin Islands and Puerto Rico. We are exercising no control over the importation of materials from Puerto Rico and the Virgin Islands.

Senator FERGUSON. But it must come in as a beverage rather than from the neutral spirits?

Mr. WHITMAN. No, sir. There is no restriction there at all.

Senator FERGUSON. Do you mean then that the production is limited? And why have you limited the production in Puerto Rico and the Virgin Islands. Doesn't their economic system require all the production they can get?

Mr. WHITMAN. But we need molasses, sir. That is the reason.

Senator FERGUSON. If they have other means of giving you the essential alcohol, why have you limited specifically beverage alcohol?

Mr. WHITMAN. We buy industrial alcohol from them or Cuba or anyone who will send it in. But we want the molasses as a raw material to fill up our industrial plants here, and we were asking F. E. A. to get all the molasses they can get.

Mr. SOURWINE. Is it your firm policy that you prefer molasses to alcohol?

Mr. NELSON. We prefer molasses. We have plants that can use it.

Mr. SOURWINE. Of course, one of the problems is shipping.

Mr. NELSON. That is true; tankers are short.

Mr. SOURWINE. Which takes most tankers, molasses or alcohol?

Mr. NELSON. The molasses is easier to ship than alcohol.

Senator MURDOCK. It would take, would it not, the same number of tankers to bring a certain number of gallons of alcohol as it would molasses? Isn't that right?

Mr. WHITMAN. On a pure volume or tonnage basis there would not be as much alcohol as molasses from which it was derived.

Senator MURDOCK. The point I want to clear up is this: if the purpose of getting molasses into this country is exclusively the production of industrial alcohol, then why isn't it more economic in terms of shipping to let Puerto Rico and the Virgin Islands produce the alcohol and ship that rather than use additional shipping capacity to bring in the molasses?

Mr. WHITMAN. That is what I was going to explain to you, sir, why it is not a practical thing.

To bring in industrial alcohol requires clean tankers; it requires that tankers that have been used in some other service must be tied up and cleaned and hence their turn-around time is greatly increased.

It also requires loading tanks and loading equipment, so that the alcohol will not be contaminated.

The net result is that while we believe it practical and expect to get industrial alcohol from Cuba we do not think it practical to get industrial alcohol from Puerto Rico.

That matter has been very thoroughly considered by the War Shipping Administration, our own stock-pile administration, and by the Defense Supplies Corporation, with the conclusion that it would not be practical for us to try to get industrial alcohol from the Virgin Islands or Puerto Rico.

Mr. NELSON. How about their equipment for making 190 proof?

Mr. WHITMAN. Two distilleries in Puerto Rico could make 190 proof, but the problem of storing and moving it in comparison with the handling of the molasses made them advise against the attempt to bring up industrial alcohol from Puerto Rico.

Senator MURDOCK. May I ask one further question?

The CHAIRMAN. Very well, Senator.

Senator MURDOCK. When we speak of alcohol coming into this country from other countries for beverage purposes, the question in my mind is whether it comes in as alcohol or in the form of rum, brandy, or gin.

Mr. WHITMAN. It comes in in several forms, I am told, sir. Naturally it would come in as rum when it comes from cane juices. It also comes in in the form of neutral spirits.

Senator MURDOCK. So it does come in in both the form of—

Mr. WHITMAN. Some has come in as gin of rather questionable quality. It can come in in various forms. It does not come in, of course, in tankers, as industrial alcohol would be moved.

Mr. SOURWINE. May I go to a different line of questioning for the moment?

Mr. NELSON, every now and then with reasonable frequency we read in the papers about an order of the W. P. B. releasing electric irons or vacuum cleaners or motorcycles. Would the procedure which is followed in such releases be equally applicable to the release of industrial alcohol?

Mr. NELSON. It would not.

Mr. SOURWINE. What is the difference?

Mr. NELSON. When we release an iron we go into all the components to make irons, and we determine that the essential economy needs irons, and we determine where and how it should be produced so it will not interfere with the war.

The motorcycles you saw released were surplus from the Army and were released to essential uses in the economy.

In the case of alcohol we would simply release the facilities and say we no longer needed those facilities.

Mr. SOURWINE. A short time ago you released some bobby pins, didn't you?

Mr. NELSON. That is right, sir.

Mr. SOURWINE. Would that commodity be in the category of essential use, like the motorcycles, or would it be more comparable with alcohol?

Mr. NELSON. I would consider that a very essential thing. We have a lot of women war workers who need bobby pins to keep their hair up.

Mr. SOURWINE. There is then a question in your mind whether beverage alcohol has any essentiality in the civilian economy?

Mr. NELSON. I have never tried to determine that anything is essential or nonessential.

Senator FERGUSON. Who does determine essentiality?

Mr. NELSON. We determine relative essentiality. We try religiously to avoid calling anything in this economy nonessential. We put it on the basis of relative essentiality. We have never determined that there are no other uses that may not be more or less essential.

Senator FERGUSON. But you do come to a point where if a thing is not declared to be essential it cannot be manufactured?

Mr. NELSON. That is correct, sir.

Senator FERGUSON. Have you ever considered taking the amount of alcoholic spirits and whisky owned by the various distillers and putting it into essential war needs and essential civilian needs?

Mr. NELSON. We have considered that, sir.

Senator FERGUSON. What has been your determination?

Mr. NELSON. If we could keep up with the supply with manufacturing and the stock pile we would not take the taxpayers' money to take the whisky now in storage and reconvert it.

If we were caught at the point where we could not take care of the military requirements we would take every bit in this country and would not hesitate.

Senator FERGUSON. I assume that is true. Have you ever requested these manufacturers to hold a certain amount of this as a stock pile, that you may later need it?

Mr. NELSON. I don't know of that.

Senator FERGUSON. What agency determines as to whether or not civilians can hold stock piles of any material? Suppose I had so many million bobby pins in a warehouse. Can anyone determine that I must release those to the civilian people?

Mr. NELSON. I have never had a thing like that come up. What we have done is, if we found you had the bobby pins, is to say, "The country needs those bobby pins." And in every case where I have appealed to the people that has been done.

Senator FERGUSON. That has been done in certain cases.

Mr. NELSON. That has been done in certain cases and we would not hesitate to do it.

Senator FERGUSON. That has never been attempted so far as the alcohol stocks of these various manufacturers are concerned?

Mr. NELSON. No, sir.

Mr. SOURWINE. Going back to the question of the authority of the W. P. B. to direct a beverage holiday or release ethyl alcohol from the Government stock, if you determined that there was need and justification for a release of Government stocks, would you have to consult with or clear through or get the approval of any other Government agency to do it?

Mr. NELSON. I don't know that we would. Naturally what the War Production Board attempts to do is to consult other agencies that have an interest.

Mr. SOURWINE. But the authority would rest with you?

Mr. NELSON. The authority would rest with us.

Mr. SOURWINE. And if you wanted to make a determination that there was a surplus of alcohol and to tell the R. F. C. that some of what was being held could be sold, you would have authority to do that without clearing with anyone else?

Mr. NELSON. Yes.

Mr. SOURWINE. You have been quoted on several occasions as being opposed to an alcohol "holiday." Is that an official or a personal attitude?

Mr. NELSON. That is incorrect. I have made the statement that I am opposed to the use of alcohol so long as our supplies are inadequate, for any other purpose except those which we have declared essential to the war and essential civilian economy. I have never made the statement or thought that I was opposed to the "holiday" if it could be done. I have no opposition to it in any way.

Senator FERGUSON. Have you made a survey recently to know whether or not in the near future you anticipate any release?

Mr. NELSON. We make surveys constantly.

Mr. FERGUSON. Is there any prospect of a release of that alcohol for beverage purposes?

Mr. NELSON. No immediate prospect; no, sir.

Senator FERGUSON. And what time does that cover?

Mr. NELSON. I mean the next 3 or 4 months. Conditions may change tomorrow on that.

Senator FERGUSON. What could be the conditions that would change that?

Mr. NELSON. Requirements.

Senator FERGUSON. Would the size of the stock pile have anything to do with it?

Mr. NELSON. It would.

Senator FERGUSON. And capacity to produce?

Mr. NELSON. And capacity to produce.

Senator FERGUSON. Those three things would have a bearing?

Mr. NELSON. Those three things would have a bearing.

Senator FERGUSON. Who determines the size of the stock pile of alcohol?

Mr. NELSON. We do, sir.

Senator FERGUSON. W. P. B.?

Mr. NELSON. Yes, sir.

Senator FERGUSON. And you have determined what size stock pile is essential at the present time?

Mr. NELSON. Yes, sir.

Senator FERGUSON. What is the stock pile that you need?

Mr. NELSON. We need at least 60 days stock for working stocks, moving it around the country, and the size would depend entirely upon what our projected requirements were going to be in the year 1945. We always have to think in long range. We have to think of what the requirements will be in 1945 and the size stock pile we would want for that would be predicated upon the requirements for 1945.

Senator FERGUSON. In other words, the pipe line should have at least 60 days' supply?

Mr. NELSON. With less than that we would feel very apprehensive, sir.

Senator FERGUSON. Is that in line with other requirements of a like nature?

Mr. NELSON. Yes. Some have 90 and some 120. It depends upon whether it has to be imported into this country and the speed with which you can get up new production, and so forth. The stock pile that we have varies entirely with the commodity.

Senator FERGUSON. Do you have anything to do with lend-lease to determine how much should go on lend-lease?

Mr. NELSON. We do not have the final say, sir. The protocol is made with Russia and we get the requirements from the British and that passes through F. E. A. It is then submitted to us for feasibility, and we say, "It is feasible" and if so it passes on. If not it comes before our Requirements Committee and all of the claimants sit around a table and a requirement is set by the War Production Board so that each person who is a claimant agency knows what they will get.

We determine F. E. A. will get so much, and they divide it amongst the claimants.

Senator FERGUSON. And they determine whether it is essential to the war industry in the country that it is going to?

Mr. NELSON. That is right.

Senator FERGUSON. And they could determine whether or not that country could be using some of its own alcohol for beverage purposes?

Mr. NELSON. That is right, sir.

Senator FERGUSON. So if Russia uses its own alcohol for vodka and gets ours for industrial purposes, that would not be determined by you?

Mr. NELSON. No, sir.

Senator FERGUSON. Have we any lend-lease alcohol going to Canada?

Mr. NELSON. I don't know of any.

Senator FERGUSON. Had we an agreement last year to take any industrial alcohol from Canada?

Mr. WHITMAN. We had a contract for a certain amount of industrial alcohol. I suppose it was not the maximum production.

Senator FERGUSON. Do you know whether or not we had an agreement with them that they were to ship all alcohol and not take a holiday for beverage purposes?

Mr. WHITMAN. I don't know as to that.

Senator FERGUSON. You don't know they took a liquor holiday?

Mr. WHITMAN. I have been told that they did, but we do not have a determination on that.

Mr. FERGUSON. Who does make the determination on that?

Mr. NELSON. We can't control the actions of other countries. In Canada we have a close working arrangement between Canada, Great Britain, and ourselves through the Combined Production and Resources Board. There the various questions are discussed.

At that time a request was made for a certain amount of alcohol—I have forgotten all the circumstances—I can get that all together. Senator FERGUSON. Will you furnish that to the committee?

Mr. NELSON. I will be glad to.

The CHAIRMAN. About when was that, Mr. Nelson?

Mr. NELSON. About a year ago.

The CHAIRMAN. Dr. Whitman, you said a moment ago that you heard Canada had a liquor holiday.

Mr. WHITMAN. Yes.

The CHAIRMAN. Is that all the information you have?

Mr. WHITMAN. Yes.

The CHAIRMAN. No communications on it whatsoever?

Mr. WHITMAN. No.

The CHAIRMAN. Just wild rumor?

Mr. NELSON. We knew in the War Production Board.

The CHAIRMAN. What you knew in the War Production Board Mr. Whitman should now.

Mr. NELSON. This is a large organization. Every single person ought to know what everybody else is doing, but it can't be done.

The CHAIRMAN. But Dr. Whitman is head of this department.

Mr. NELSON. But this is dealing with a foreign country.

Senator MURDOCK. There is no question but what at least a part of the industrial alcohol produced in this country is going to other countries as lend-lease material. Now, having in mind, Doctor, if I may propound this question to you, the fact of the tremendous gallonage of alcoholic beverages consumed in this country, having in mind that it certainly has something to do with the health of the people, and having further in mind the fact that the quality of liquor consumed must of necessity have some bearing upon the health of the people of this country, wouldn't it be better instead of allowing these other countries to ship into this country the low-quality beverages that are coming in here today and being sold at the tremendously high prices we are paying, wouldn't it be a little better practice to divert some of that low-quality beverage and some of the industrial alcohol into lease-lend and allow the distillers of this country to make a little better beverages for our own people?

Why should we be so meticulous with reference to the quality of the industrial alcohol that comes in from the outside and be rather careless as to the quality of beverage alcohol that comes in?

Mr. NELSON. There have been several proposals made. One was made just yesterday. We certainly will review this most carefully on a changed basis that might lead to something like that and we would be glad to consider it. F. E. A. does the foreign buying.

Mr. SOUTHWINE. You mean that the Seagram Co. has finally made a formal offer?

Mr. NELSON. They have made it several times. It has been made several places in the Government.

The CHAIRMAN. Who is that?

Mr. NELSON. Gen. Frank R. Schwengel saw me yesterday. He presented some very logical reasoning and argument on something

that might be worked out, and certainly we are going to go into it most carefully.

Senator MURDOCK. Is that in answer to my question?

Mr. NELSON. Yes, sir.

Senator MURDOCK. Now, is the reason for the shipping of molasses from our island possession and Cuba into this country, instead of their industrial alcohol, influenced or affected at all by pressure from the distillers who are producing industrial alcohol under cost-plus contracts?

Mr. NELSON. No, sir.

Mr. WHITMAN. No, sir.

Senator MURDOCK. They are not attempting to influence or affect your policy at all on that particular policy?

Mr. WHITMAN. The answer is categorically no, sir.

Senator FERGUSON. He asked if they were attempting to influence—read that last question, please.

(Question read by the reporter.)

Senator MURDOCK. Are they bringing any pressure on you people to keep you from shipping in the raw materials?

Mr. NELSON. I think we are getting awfully technical here about a few words.

The CHAIRMAN. It seems to me the technicality is being raised by Dr. Whitman. I would like to have the doctor answer the question.

Mr. NELSON. I thought you wanted information.

The CHAIRMAN. We do want information.

Mr. WHITMAN. I was trying to be quite accurate, sir. It is quite obvious that in this operation we are receiving all kinds of advice from all different sources, and I did not want to say categorically that no one had attempted to argue that point because I don't know whether they have or not. I was saying categorically that we have felt no influence by the distillers to argue for molasses importation for the reasons which you have stated.

Senator MURDOCK. Now, can we follow that by this question? Is there any question in your mind but what it is very advantageous to the big distillers producing industrial alcohol on a cost-plus basis to be assured of a constant supply of raw materials in the form of molasses from the island possessions?

Mr. WHITMAN. I don't think we are concerned with that point.

The War Production Board requires the production of industrial alcohol and we want the biggest supply of molasses we can have in order that the distillers can turn out the alcohol we need.

Senator MURDOCK. You don't want it to the point, nor is the necessity great enough for you to clamp down with a prohibition against lease-lending our industrial alcohol.

Mr. WHITMAN. That is something that is determined outside the War Production Board.

Senator MURDOCK. Let me ask you this: Suppose the War Production Board would adopt this policy, that you need every gallon of industrial alcohol that can be produced in this country; then if Lease-Lend wants to send some of it to Russia and some to England and other places, certainly the priorities of our own country would come first, wouldn't they?

Mr. NELSON. The President said this was to be arsenal of democracy. We are aiding every one of our allies to win this war in the

shortest possible space of time, and we consider the requests of our allies for materials to use in winning the war as a requirement of ours. We cannot say our requirements must come first.

We say that Russia has done an amazingly fine job in trying to lick the very Germans we are trying to lick.

You said "would our requirements come first?" We consider their requirements as very essential and we also ship to other countries things which we need very badly, but which they also need very badly.

Senator FERGUSON. Do I understand that Lend-Lease has priority over essential civilian requirements?

Mr. NELSON. We sit around a table and if in our opinion it becomes very necessary that that country gets steel for tanks, or this country gets tires, it is supplied. The requirements are adjusted to supply and, in that adjustment, need is the primary thing.

Senator FERGUSON. In alcohol have you been able to supply all essential civilian requirements?

Mr. NELSON. Yes, sir.

Mr. SOURWINE. Your decision against a liquor "holiday" or the release of alcohol from the Government stock pile for beverage purposes, and I include in that your past decisions and the decisions enunciated here today that there can be none for the future—

Mr. NELSON (interjecting). Unless requirements change.

Mr. SOURWINE. That is based entirely upon the supplies and requirements situation?

Mr. NELSON. Yes.

Mr. SOURWINE. Have you personally gathered statistics of supply and demand?

Mr. NELSON. I don't think there is one thing we have had more people gathering statistics on. Mr. Whitman collects them, people from our bureau gather them. All requirements must be carefully reviewed because there are duplications and they cover steel and copper and everything else.

Mr. SOURWINE. Your decision is really based upon figures supplied by subordinates upon whom you must necessarily rely?

Mr. NELSON. That is correct.

Mr. SOURWINE. Would you be inclined to approve some plan for the release of alcohol for beverages if you felt it could be done without diverting alcohol from essential war uses in any quantity which would interfere with the war effort?

Mr. NELSON. I see no reason to oppose it. We have to review and weigh everything on what in our judgment is necessary to win the war in the shortest space of time.

Mr. SOURWINE. That was the main question?

Mr. NELSON. Yes. We could put in added facilities and increase production tremendously. We believe that would be interfering with the war effort today. We are considering and do consider every proposition for increasing the supply of alcohol when it can be done with the minimums of material and manpower.

Manpower is a very limiting factor at the present time in war production. We have had to weigh every request in the light of manpower and other essential things.

Mr. SOURWINE. Suppose for the sake of discussion that it should be found in addition to all other supplies that only 220,000,000 gallons of alcohol would be needed from beverage distilleries during the present

year to meet the needs of the war effort. That would be below the estimated production of those distilleries, would it not?

Mr. NELSON. It would.

Mr. SOURWINE. Now, is there anything infeasible in dividing that alcohol into monthly installments and saying to the distillers, in effect, "Here are your quotas," and then saying, "What you produce above these amounts you can use for beverage purposes"?

Mr. NELSON. I see no objection providing we make known what we are going to need in 1945 and how much the stock pile can be built up. If our requirements from 1945 are much greater than our production in this country, we will have to build up the stock pile.

Mr. SOURWINE. Isn't it much too early to make much more than a wild guess at the requirements for 1945?

Mr. NELSON. That is right.

Mr. SOURWINE. What would be the objection to fixing a percentage of total production from beverage distilleries which might be diverted, as produced, to beverage uses?

Mr. NELSON. If we don't need it we will release the facilities.

Senator FERGUSON. Have you ever thought if you put them on a quota basis rather than a cost-plus, and told them you require so many gallons and anything above that they could produce for their own use—don't you think their efficiency would go up and they would be able to produce some for themselves?

Mr. NELSON. Maybe so, sir. But you have the question of your grain supply to consider. We have had to get allocations of grain from the War Food Administration in order to make this alcohol and the War Food Administration protests any excessive use of grain.

We have to get allocations of grain to make the alcohol we need.

Senator FERGUSON. Am I to understand that under the present system the Government buys all alcohol now manufactured and pays a large subsidy?

Mr. NELSON. Will you explain that? [Indicating Mr. Whitman.]

Mr. WHITMAN. The Government buys all alcohol made from grain.

Senator FERGUSON. Has there been a limitation recently on making alcohol out of wood?

Mr. NELSON. We are considering that, sir. We have approved one facility for making alcohol from sulite liquors and are reviewing another way of making it from wood waste.

Mr. FERGUSON. Could you give us the prices on manufacturing alcohol in this country?

Mr. WHITMAN. Defense Supplies Corporation could do it.

Senator FERGUSON. Would you say it would run from \$1.60 down?

Mr. WHITMAN. It might.

Senator FERGUSON. And then it is sold at 50 cents a gallon, so that the subsidy in certain cases is as much as \$1.10 a gallon?

Mr. WHITMAN. I haven't the figures.

Senator FERGUSON. Have you any knowledge at all on the question?

Mr. WHITMAN. I have the knowledge that alcohol from grain at present grain prices is quite expensive, and that Defense Supplies Corporation buys at certain prices which are generally above the alcohol ceiling and distributes it directly to Government agencies like the Army and Navy and the Rubber Reserve, and a certain small amount of it goes back into commercial channels within the ceiling price—

Senator FERGUSON. Then when you sell back to the commercial industry, for instance, to make cosmetics, there is a large subsidy on that?

Mr. WHITMAN. I said this was alcohol from grain. It is my impression that most of the alcohol from molasses is not so handled, and that that is sold within the ceiling.

Senator FERGUSON. You mean that the alcohol made from molasses coming in from Cuba and our possessions does not cost the ceiling on a cost-plus basis? Have you any knowledge on that basis?

Mr. WHITMAN. The alcohol from molasses, I believe, is required to be sold at the ceiling without any transaction with a Government agency. I think that is all arranged by the Office of Price Administration.

Senator FERGUSON. Do you know whether there are any subsidies paid on the alcohol that is made from molasses or any grain or produce coming in from our possessions or Cuba?

Mr. WHITMAN. I don't believe I can answer that. I am not competent to answer that.

Mr. NELSON. We do know of the contract on that. It is my general impression that the alcohol from molasses sells at ceiling prices for certain uses and to certain other users the alcohol is sold by the Defense Supplies Corporation.

Mr. SOURWINE. Mr. Nelson, do you have any facts or figures concerning the possibilities of increasing the production capacity of distillers, and the costs of such production increases?

Mr. NELSON. I think Mr. Whitman can answer that.

Mr. WHITMAN. We know certain expansions could be carried out, particularly at existing grain facilities, expansions which we have not approved because they would correspond to an additional consumption of grain.

Mr. SOURWINE. Do you know what the aggregate of the possible expansions would be, and what the aggregate of the cost of such expansions would be?

Mr. WHITMAN. I don't think I could give you a figure that would mean much.

Mr. SOURWINE. On the basis of the Government plants which have been constructed and are now in production, what has been the cost to the Government of each \$1,000,000 of annual production capacity?

Mr. WHITMAN. As far as the three new plants which have been built the cost of the plants per million gallons of capacity has averaged around \$275,000.

Mr. SOURWINE. So that \$1,000,000 will buy a little less than 4,000,000 gallons of annual capacity?

Mr. WHITMAN. Yes, sir.

Mr. SOURWINE. Mr. Chairman, I would like to put in the record at this point, as the first exhibit, a statement furnished by Mr. George Moore, the chief investigator of this committee, which is a compilation of replies from non-Government-owned industrial plants to an inquiry with regard to the possible increases in their production capacities of industrial alcohol through minor additions and improvements to present plant facilities.

The table shows that 25 companies in the United States believe that with the expenditure of \$4,100,000 their annual production

could be increased by about 62,100,000 wine gallons of 190-proof alcohol, a cost of \$1,000,000 for each 15,000,000 gallons of annual capacity.

The CHAIRMAN. It may go in the record.

(The document is as follows.)

THE EFFECT THAT MINOR IMPROVEMENTS AND ADDITIONS TO PRIVATE INDUSTRIAL ALCOHOL PLANTS WOULD HAVE UPON THE PRODUCTION OF INDUSTRIAL ALCOHOL

(Statement furnished by Mr. George Moore, chief investigator, Senate Judiciary Subcommittee Investigating the Alcoholic Beverage Industry)

The attached table shows that 25 industrial alcohol companies of the United States believe that with expenditures of about \$4,100,000 their annual production could be increased by about 61,200,000 wine gallons of 190-proof alcohol.

The latter part of March 1944, the Senate Subcommittee to Investigate the Use of Farm Crops addressed an inquiry to about 70 non-Government-owned industrial alcohol plants asking: "What equipment would be necessary to increase your current production of alcohol, the cost of same, and the number of gallons which the additional equipment would add to current production?" To date the Subcommittee of the Judiciary has in its possession 52 replies. Only 16 companies state that they cannot increase production without erecting a complete new plant. Four in the Pacific coast area stated that they were not in production because of the lack of Hawaiian molasses; however, one of these said that they could double production, while another said that they could not increase production, and the remaining two were noncommittal. Five companies stated that production could be increased, but gave no supporting data. Two companies stated that they could increase their production by 1,224,000 wine gallons per annum and by 75,000 proof gallons per month, respectively, but gave no equipment cost estimate and therefore are not included in the totals cited in the first paragraph. Therefore, a final recapitulation shows that 33 companies state that they could increase their production of alcohol by certain additions to and alterations in their plants.

It should be pointed out here that at the present time it is costing the Government \$250,000 in plant facilities for every 1,000,000 gallons of alcohol manufactured by Government-owned plants. At the same time the attached table shows that additions to and improvements in 25 privately owned alcohol plants costing private industry about \$4,100,000 could produce an additional 61,200,000 gallons of industrial alcohol or 1,000,000 gallons for each expenditure of \$67,200 for additional equipment.

The letters received from the Big Four are worthy of mentioning. Two of them (National Distillers Products Co. and Schenley Distillers Corporation) stated that they could not increase production. However, Hiram Walker & Sons, Inc., stated that they could increase their annual production by 7,000,000 gallons with the addition of improvements costing \$1,491,400. Joseph E. Seagram & Sons stated that production could be increased throughout the industry by better methods of milling, conversion, yeasting, fermentation, and distillation, although no figures were cited.

Compilation of replies received from non-Government-owned industrial plants to an inquiry by a subcommittee of the Senate Agriculture Committee as to possible increases in the production of industrial alcohol through minor improvements in and additions to present plant facilities

Name of company	Cannot increase production	Can increase production (annual increase in wine gallons at 190 proof)	Cost of improvements required
1. Joseph E. Seagram & Sons, Inc.		(¹)	.....
2. Lee Chemicals, Inc.		300,000	\$45,500
3. Sunnyside Winery		1,550,000	25,000
4. San Gabriel Vineyard Co.		1,440,000	60,000
5. Peter Win Co.	Apr. 11, 1944	(²)	.....
6. Garden Vineyards Winery Distillery Co.	Apr. 6, 1944	(³)	.....
7. E. & J. Gallo Winery	Mar. 29, 1944	(⁴)	.....
8. Bissella Bros. Wine Co.	Mar. 27, 1944	(⁵)	.....
9. Franzia Bros. Winery		102,000	2,500
10. Glenview Distillers Co.		5,780,000	7,100
11. United Distillers of America, Ltd.		900,000	70,000
12. W. P. Squibb Distilling Co., Inc.		240,000	25,000
13. James B. Beam Distilling Co., Inc.		340,000	5,000
14. Old Times Distillery Co.		(⁶)	.....
15. New England Alcohol Co.		1,938,000	30,000
16. Belvidere Distilling Co.	X	.....	.....
17. National Distillers Products Co.	X	.....	.....
18. Schenley Distillers Corporation	X	.....	.....
19. Fieschmann Distilling Corporation	X	.....	.....
20. Merchants Distilling Corporation	X	1,224,000	.....
21. E. I. du Pont de Nemours & Co.	X	(⁷)	(⁸)
22. The Sherwood Distilling Co.	X	.....	.....
23. Bond Mill Distilling Co.	X	850,000	2,500
24. Charter Alcohol Co.	X	276,000	25,000
25. James Walsh & Co., Inc.	X	587,000	18,000
26. Meadow Lark Distilling Co.	X	5,503,000	750,000
27. Readville Distillers, Inc.	X	.....	.....
28. The American Distilling Co.	X	780,000	65,000
29. United States Industrial Chemicals, Inc.	X	.....	.....
30. Dowling Bros. Distilling Co.	X	1,800,000	110,000
31. James Distillery, Inc.	X	7,000,000	1,491,400
32. Mid-Valley Distilling Co.	X	.....	.....
33. Park & Clifford Distillers, Inc.	X	.....	.....
34. Commercial Solvents Corporation	X	.....	.....
35. Hiram Walker & Sons, Inc.	X	1,000,000	29,000
36. Taylor & Williams Distillers	X	.....	.....
37. Brown-Forman Distillers Corporation	X	.....	.....
38. Midwest Solvents Co.	X	.....	.....
39. Gulf Distilling Corporation	X	.....	.....
40. Fitzell-Weller Dairy	X	.....	.....
41. Cummins-Collins Distillers	X	.....	.....
42. Valley Distilling Co.	X	.....	.....
43. A. Smith Bowman Distillery	X	225,000	15,000
44. General Distillers Corporation of Kentucky, Inc.	X	11,800	5,000
45. Dillinger Distillers, Inc.	X	235,000	20,000
46. Highland Distillers, Inc.	X	2,660,000	365,000
47. Clinton Products Co.	X	300,000	10,000
48. Fairfield Distillery	X	170,000	8,000
49. Fairfield County Distillery, Inc.	X	26,002,000	888,000
50. Publicker Commercial Alcohol Co.	X	.....	.....
51. Consolidated Distillery Corporation	X	400,000	40,000
52. Helgedale Distillery Corporation	X	.....	.....
Total		61,160,300	4,110,000

¹ Production could be increased through better methods of milling, conversion, yeasting, fermentation, and distillation throughout entire industry, no figure cited.

² Not in production (lack of Hawaiian molasses).

³ Addition of equipment costing \$5,000 would increase production from 200,000 proof gallons per month to 400,000 proof gallons.

⁴ Not in production (lack of Hawaiian molasses). But could not increase production.

⁵ 20 percent increase.

⁶ Small expenditure.

⁷ Some increase.

⁸ Productive capacity could be increased—no figure given.

⁹ Productive capacity could be increased by 250 to 300 bushels daily.

¹⁰ 75,000 proof gallons per month.

Senator FERGUSON. Mr. Whitman, you mentioned that the requests to add to the facilities would cause more grain to be used. Have there been requests where they could add to their efficiency and make more alcohol out of the same amount of grain?

Mr. WHITMAN. We have encouraged such requests in the past. We have asked the distillers to submit projects to us aimed at increased capacity.

Senator FERGUSON. Have you turned down such requests?

Mr. WHITMAN. A great many because those requests then ran up against the possibility of increasing grain consumption in the alcohol program.

Senator FERGUSON. I am talking about increasing the amount of alcohol that is obtained from each bushel of grain or pound of grain. Have you turned down any of the requests where they would add to the efficiency of their plant and make more from less?

Mr. WHITMAN. I don't personally recall any requests where the objective was directed to get more alcohol from a bushel of grain.

There have been a great many requests which we have encouraged for increasing the byproduct recovery, the feeds from the distilleries, and there has been a program approved which has involved about \$19,000,000 of expenditure that is now going on, partly completed, for the recovery of feeds from the distillery operations. That has been the primary type of project which has improved the efficiency, but it has been getting more out of a bushel of grain than just the alcohol.

Mr. NELSON. And we have approved projects for increasing the efficiency of the butadiene plants and the recovery of alcohol from the butadiene plants and also petroleum.

Mr. SOURWINE. Does the W. P. B. have a firm policy with respect to stock piles?

Mr. NELSON. We do have.

Mr. SOURWINE. Reasonably uniform?

Mr. NELSON. Reasonably uniform with respect to different materials.

Mr. SOURWINE. What is that policy?

Mr. NELSON. To be able to foresee the meeting of the military requirements for the duration of the war. In most cases we go to the Chiefs of Staff with a policy. We have recently gone to them with a proposed change reducing the stock piles and we have now a policy from the Chiefs of Staff in regard to stock piles.

The Chiefs of Staff are the ones who determine the strategy and have the whole outlook on the war, and we work very closely with them.

Mr. SOURWINE. And your policy is what?

Mr. NELSON. It varies with different types of material. In some cases we have a stock-pile policy of 3 years.

Mr. SOURWINE. I mean, can you state your policy broadly in such terms that it would apply to any particular case?

Mr. NELSON. I think we might take alcohol. We were discussing alcohol.

At the present time we have viewed the stock pile as a part of our supply and built it up very early. There was a great deal of criticism at the time we built up our stock pile on alcohol. Had we not done it we would be in difficulty now.

There are various reasons which I won't discuss here, but they were there. We are now reviewing our requirements for 1945—

Mr. SOURWINE. That is not what I am trying to get at. I want a statement of policy basic enough to apply to any commodity. Would this be a fair statement? I don't presume to say it is, but it may give you my thought.

Is it the policy of the War Production Board to attempt to estimate what requirements will be far enough in advance that you will always be armed?

Mr. NELSON. That is correct.

Mr. SOURWINE. And it has been your policy to accumulate a stock pile which will be sufficient, plus reasonably anticipated production, to meet those requirements, and you do not attempt and it is not your desire to maintain any stock pile in excess of that amount?

Mr. NELSON. Very well stated, sir.

Mr. SOURWINE. Do you recall any instances in which the War Production Board has adopted a policy of stock piling any critical material in excess of reasonably anticipated future requirements?

Mr. NELSON. No, sir.

Mr. SOURWINE. Does the War Production Board have a policy of stock piling materials where the production exceeds current requirements?

Mr. NELSON. I don't know of any, sir. That is, production in the United States?

Mr. SOURWINE. The War Production Board has made recent cut-backs—

Mr. WHITMAN. The War Production Board deliberately stock piled alcohol in the early days, at a time when production did exceed current requirements, but it was against a future requirement.

Mr. SOURWINE. The War Production Board has made recent cut-backs in light metals production?

Mr. NELSON. That is true, sir.

Mr. SOURWINE. The reason given for that action was excess of production over requirements?

Mr. NELSON. Yes, sir.

Mr. SOURWINE. Is it true that present plans call for a stock pile of 100,000 tons of rubber by the end of the calendar year?

Mr. NELSON. I am not able to answer that question. I don't know what Mr. Dewey's plans are.

I know 100,000 tons is about the minimum working stock now.

Mr. SOURWINE. We don't have that much now, do we?

Mr. NELSON. Are you talking about crude rubber or crude rubber plus synthetic.

Mr. SOURWINE. Synthetic.

Mr. NELSON. We are working up to 15 or 20 days.

Senator FERGUSON. Have your requirements, that is, your anticipated requirements, been shown to have been high on alcohol, and isn't it also a fact that your anticipated production has been low so that you have had at all times a margin in between the real requirement and real production, due to the variance from what you anticipated on both points?

Mr. WHITMAN. I can't answer that yes or no. I will have to explain.

I think I can explain very quickly to you, sir, that our estimates as of the early part of 1943 of the amount of alcohol that was going to be used in 1943, turned out to be too high because the rubber plants which use alcohol did not get completed and fully operating as fast as was assumed.

On the other hand, our actual usage of alcohol in 1944 for rubber is —

Senator FERGUSON. Will you take the same year?

Mr. WHITMAN. In 1943 I said we had overestimated the amount of alcohol that was going to be needed for 1943.

Senator FERGUSON. And you underestimated the capacity to produce?

Mr. WHITMAN. No, sir. But in 1944 we actually are using alcohol at a higher rate than we thought we were going to use it.

Senator FERGUSON. Then you stated in your requirements —

Mr. WHITMAN. I believe the 1,000,000 gallons a day for the rubber program is ahead of anything we predicted would occur.

Senator FERGUSON. Have you ever furnished the committee your anticipated use and your anticipated production?

Mr. WHITMAN. No, sir.

Senator FERGUSON. Would you do that?

Mr. NELSON. We will be glad to.

In answer to your question, we prefer always, of course, to be on the safe side and if there is any error in the picture it would be in overestimating the requirements and underestimating the supplies. Estimates are only estimates, of course. They are the best judgment of a lot of individuals.

Senator MURDOCK. We had our lesson on too little and too late.

Senator LUCAS. Do I understand that the War Production Board now estimates that at the end of 1944 the stocks will be 22,700,000 more than the original estimate for 1944?

Mr. WHITMAN. At the end of the year, sir?

Senator LUCAS. Yes.

Mr. WHITMAN. I don't know. We have compiled estimates about every 5 weeks for the past 20 months.

Senator LUCAS. I have a statement here which says definitely —

The War Production Board now estimates that the 1944 year-end stocks will be 22,700,000 gallons more than the original estimate.

Mr. NELSON. I would want to know what the original estimate was. We have made hundreds of them.

Here are the latest figures submitted to me as of May 3, 1944, by Mr. Whitman, and his present estimates are a supply of 611,000,000 gallons and requirements of 636,000,000 gallons, and his estimates of Government stocks at the end of 1944 are 59,000,000 gallons, which is just about a working inventory. That may or may not be right. That is the estimate we have now. I think if you will review our estimates of what we said we would have and what we did have, they are remarkably close.

Mr. SOURWINE. We propose to do that a little later.

The CHAIRMAN. Are there any further questions, Senator Lucas?

Senator LUCAS. No; I won't take up the time now, Mr. Chairman.

Mr. SOURWINE. Mr. Nelson, do you know anything about the present relationship between requirements for rubber and production of rubber?

Mr. NELSON. Yes; I do.

Mr. SOURWINE. Is it true that present production of rubber is exceeding present use, currently, month by month?

Mr. NELSON. It is not, sir. We are getting this new capacity in. The new capacity for truck tires is just beginning to come in and we are way behind on the furnishing of truck tires.

Mr. SOURWINE. What is the monthly rate at which we are producing rubber?

Mr. NELSON. I don't know.

Mr. SOURWINE. It is your understanding that we are using more rubber than is being produced?

Mr. NELSON. We are just beginning to turn.

Mr. SOURWINE. You do not believe that there is at present any building of the rubber stock pile?

Mr. NELSON. Not over and above the requirements that are going to come in. Our limiting factor in the use of rubber has been first, facilities for making these big tires, and second, the synthetic rubber and fire cord.

Mr. SOURWINE. But it is your understanding that there will not be any accumulation of rubber between now and the end of the year?

Mr. NELSON. Those things can be easily changed by more know-how in the petroleum plants. The present petroleum plants are being forced up higher and higher in order to take care of the requirements. They are making certain improvements. If additional quantities of butylene can be made available to the butadiene-from-petroleum plants and with some improvements in operations, these plants may produce well above their rated capacity.

If the know-how improves and the technique improves we may get away ahead of it and we will balance that each month. We work in close cooperation with the Rubber Director, always and the needs of the military services, and as that changes month by month we review it.

Mr. SOURWINE. Do you see any prospect of any immediate appreciable increase in requirements of rubber or are they at the peak right now?

Mr. NELSON. I think the requirements are at the peak. We would like to make more tires for the essential civilian needs.

The military requirements for trucks and other cars are dependent on the increased capacity.

Mr. SOURWINE. Let me go on a new tack, Mr. Nelson.

How are estimates of alcohol requirements arrived at?

Mr. NELSON. Like we do all other requirements, by asking each claimant agency what they are going to need.

Mr. SOURWINE. How often do claimant agencies report to you on their requirements?

Mr. NELSON. Whenever we ask them.

Mr. SOURWINE. About how often is that?

Mr. NELSON. About every 5 weeks on some.

Mr. SOURWINE. How are the estimates of alcohol production arrived at?

Mr. WHITMAN. By our best estimates from past performance and knowing what is likely to happen in the future and so forth.

Mr. SOURWINE. Do you receive monthly reports on the production of industrial alcohol?

Mr. WHITMAN. Yes.

Mr. SOURWINE. When the Rubber Director last advised the W. F. B. on the war requirements for industrial alcohol what amount did he give?

Mr. WHITMAN. About 1,000,000 gallons a day.

Mr. SOURWINE. Is that the total estimate for 1944 or is that the annual rate at which the rubber program will be using alcohol from now on?

Mr. WHITMAN. That is the rate they are now using and they expect to continue at that rate.

Mr. SOURWINE. They don't expect to increase that rate?

Mr. WHITMAN. No.

Mr. SOURWINE. That would mean the actual use of alcohol for the coming year would be 360,000,000 gallons?

Mr. WHITMAN. 365,000,000 is the figure we have.

Mr. SOURWINE. But if they used less than that 365,000,000-gallon rate, proportionately, for the first quarter of the year, they won't use 365,000,000 gallons for the whole year.

Mr. WHITMAN. At certain times during the first quarter they were using more than 1,000,000 a day.

Mr. SOURWINE. Do you have the figures on the amount used in the rubber program during the first 3 months of the year?

Mr. WHITMAN. Yes.

Mr. SOURWINE. May we have that?

Mr. WHITMAN. I will have to correct my statement. In January it was 28.3 million; February, 27.8 million; March, 30.4 million. That is slightly under a million gallons a day.

Mr. SOURWINE. Yes, sir. Instead of using 90,000,000 gallons during the first 3 months they used 85,000,000 gallons, roughly speaking.

Mr. WHITMAN. That is correct.

Mr. SOURWINE. So if they proceed on the basis of 90,000,000 a quarter from here on it will be 360,000,000 for the whole year.

Mr. WHITMAN. 365,000,000 for the whole year is what we have from the Rubber Director.

Mr. SOURWINE. But actually they do state they are using a million gallons a day?

Mr. WHITMAN. We state it.

Mr. SOURWINE. During your testimony before the Gillette subcommittee, Dr. Whitman, you inserted in the record a letter from Colonel Dewey stating his requirements for 1945 would be approximately 365,000,000 gallons. Is that correct?

Mr. WHITMAN. I believe his letter said it would be unwise to figure on less than 365,000,000 gallons.

Mr. SOURWINE. That fairly well establishes the rate from now on?

Mr. WHITMAN. Reasonably.

Mr. SOURWINE. Mr. Nelson, in asking this question I want to assure you that I have no intention of being offensive. But one of our columnists in recent weeks charged that a hidden hand was holding up approval in the War Production Board of projects for production of alcohol from wood alcohol and wood waste.

Mr. NELSON. There is absolutely no truth in that.

Mr. SOURWINE. What is holding up such approval?

Mr. NELSON. The question of whether we can build them without interference with the war effort. There is no hidden hand holding

up anything in the War Production Board. If any hidden hand attempts to do it they have me to contend with.

Mr. SOURWINE. I thought that would be your reaction, and your answer, sir, but I could not say it for you, and I wanted it in the record.

Do you concur in the action of the Plant Facilities Branch in disapproving the two projects for the manufacture of alcohol from sweetpotatoes and sulfite liquor?

Mr. NELSON. On sweetpotatoes; yes.

One was approved on sulfite. The one on wood hydrolysis I am having carefully reviewed.

Mr. SOURWINE. When you speak of estimates of requirements for the past year do you mean exactly that, or are you talking about the amount of alcohol used during that year?

Mr. NELSON. The latter.

Mr. SOURWINE. How long does it take after the end of the year to get the whole picture on the amount of alcohol used during the year?

Mr. WHITMAN. I believe that little corrections may come in as much as 2 months later. They are very minor.

Mr. SOURWINE. After 3 or 4 months you know what the picture is?

Mr. WHITMAN. As a matter of fact we know within a couple of weeks.

Mr. SOURWINE. So your figures on requirements during the past year are not accounting figures resulting from subtraction of the stockpile figure from the total supply?

Mr. WHITMAN. That is correct.

Mr. SOURWINE. Is it true that early in January of this year you said that the 1942 requirements for alcohol were 226,000,000 gallons?

Mr. WHITMAN. I don't remember the figure.

Mr. NELSON. The figure I have here is 229,000,000.

Mr. SOURWINE. Do you recall the figure which you used in your report under date of January 3?

Mr. WHITMAN. Was it 226,000,000? That is all right if it is.

May I explain about 1942, that it was not until the latter part of the year that we were getting our figures with reasonable accuracy, in reasonable details, and we have had quite a little difficulty with reconciling the figures that we collected over that year, and we made some little correction in the 1942 figures fairly recently.

Mr. SOURWINE. What do you mean by reconciling, Doctor?

Mr. WHITMAN. I mean we had to get a good deal of information from other sources in Government, and it is quite a tedious process.

Mr. SOURWINE. You said these reports came in to you within a few months.

Mr. WHITMAN. It was not until the latter part of 1942 that we were trying to go down into the details and trying to get the whole year of 1942 in balance, which involved getting information from other sources.

Senator FERGUSON. Do you have the same trouble with your stock pile?

Mr. WHITMAN. Yes; we get a report on stock pile that is about 10 days late. The report of the April 1 stock pile may come in April 10 to April 15. On a subsequent report we may find a subsequent adjustment in the figures.

Senator FERGUSON. Will you define for the record what you call a stock pile?

Mr. WHITMAN. A stock pile is the Government-owned stocks in the United States, including the stocks at the butadiene plants, at the lend-lease terminals, and such stocks as are owned by Defense Supplies and the military arsenals.

It does not include, as I previously mentioned, the amount of high wines which have not yet been processed?

Senator FERGUSON. Does it include essential civilian requirements?

Mr. WHITMAN. It does not include stocks owned by private distributors which amount to about 20,000,000 gallons, and is sort of a minimum amount on which they can carry on their business.

Senator FERGUSON. Does it include in-transit for the civilian requirements?

Mr. WHITMAN. It does not.

Senator FERGUSON. How much would that be?

Mr. WHITMAN. I would suspect that it may average—this is a wild guess—3,000,000 gallons.

Senator FERGUSON. What is the last date for which you have a stock-pile figure?

Mr. WHITMAN. April 15.

Senator FERGUSON. And what was that stock pile?

Mr. WHITMAN. 87,500,000 gallons. That was the Government stock pile as I have defined it and that, of course, includes, you understand, the working inventories at the various plants which are using alcohol and the lend-lease terminals, which must be 30,000,000 gallons minimum in order for day-to-day operations to be carried on.

Senator FERGUSON. What was your requirement for that date?

Mr. WHITMAN. I think probably what you would like to have is the requirement of the military, lend-lease and rubber, and not the commercial requirement, because that is not coming out of the Government stocks.

Senator FERGUSON. All right.

Mr. WHITMAN. The requirements as of that time were about 36,000,000 gallons a month.

Senator FERGUSON. So then you had in excess of 2 months' requirements?

Mr. WHITMAN. Yes.

Senator FERGUSON. Now, wouldn't that excess be all that would be required by these industries for beverage purposes? Wouldn't that take away and do away with the black market, the gangsterism, and all that has to do with the morale question in America today so far as liquor is concerned?

Mr. WHITMAN. I don't believe I can answer that.

Mr. NELSON. I can answer that. If you can tell me what the future requirements are going to be for chemical warfare and other things, I can tell you if we can release it.

Senator FERGUSON. I would like to know what figures you have now showing what the requirement is going to be.

Mr. NELSON. Some of them we do not know.

Senator FERGUSON. So, as I understand it, it is your best judgment without knowing all of the circumstances, that none of this should be released?

Mr. NELSON. I do not believe that we can safely take the chance in wartime of releasing any of the stock pile on the basis of our present known requirements and what eventualities may happen.

Mr. SOURWINE. Going back to 1942 requirements, how long after the end of 1942 did it take you to get all your figures in on how much alcohol was used?

Mr. WHITMAN. I explained to you, I believe, that within a very recent time we have slightly adjusted the 1942 usage.

Mr. SOURWINE. I know that, but I am trying to find out whether it took you a full year after the end of 1942 to get the figures or whether you did it in 6 months or what?

Mr. NELSON. May I ask what the purpose of that is? Maybe we can tell you. If you tell us the purpose maybe we can.

The CHAIRMAN. The question is the approximate time when you arrived at a conclusion as to the figures that came in to you. It is a fact, not a question of conjecture.

Mr. NELSON. That is gone and buried. It is dead.

Mr. WHITMAN. You might say it took over a year before the last correction was made.

Mr. SOURWINE. Earlier Dr. Whitman said within 2 or 3 months he knew how much had been used. In the case of 1942 he apparently didn't know for a year after. So it is possible in the case of 1943 that you still don't know what has been used.

Mr. NELSON. We agree to that.

Mr. SOURWINE. Your estimate on January 3, 1943, of the use during 1942 was 226,000,000 gallons. And on April 15 of this year the W. P. B. issued a press release stating 1942 requirements had been 229,000,000 gallons.

Mr. NELSON. Yes.

Mr. SOURWINE. The total in 1942 that you estimated on January 3 included 52,000,000 gallons for direct military use, 25,000,000 for lend-lease, 120,000,000 for indirect military and civilian use, and 29,000,000 for antifreeze.

The total given on April 15 included 46,000,000 for direct military, 25,000,000 for lend-lease, 128,000,000 indirect military and civilian use, and 30,000,000 for antifreeze.

I wanted to ask some questions about the reasons for the differences in those figures after a lapse of a year.

Mr. WHITMAN. I won't be able to answer the question in any detail, because one of our people has been studying over the 1942 figures at my request in order to determine whether we have the best ones possible.

The military question is a very difficult one to go into. There are a great many military uses for alcohol and the sources of information do not clearly define which ones were military and which ones were not.

Mr. SOURWINE. For instance, Doctor, as against your January estimate of 52,000,000 for military, your April estimate was 46,000,000, roughly 12 percent in error.

Mr. NELSON. I can show you where some results have been 500 percent wrong.

Mr. SOURWINE. But this was all a year after the alcohol was used.

Mr. NELSON. 1942 is gone.

Mr. SOURWINE. I think the accuracy of estimates made in 1944 concerning 1942 has some bearing upon the accuracy of estimates made in 1944 for 1945.

Mr. NELSON. What we were doing in 1942 was done in the greatest hurry that anything was ever done. If you want to say we were 500 percent wrong in 1942 I wouldn't argue with you. We have improved our estimates all the time.

If I can go back and show you some of our estimates of requirements for 1942 and what happened, what was actually used, you would think alcohol was the paragon of our estimating.

Mr. SOURWINE. You came out with a total which I believe you said was less than 1 percent in error, and that was because military requirements were revised downward about 6,000,000 gallons and indirect military and civilian were revised upward about 8,000,000 and there were a couple of minor adjustments.

Mr. NELSON. That is not of importance in our handling of the alcohol problem, we think. If our estimates today were 20,000,000 or 40,000,000 gallons wrong, I still could not on the basis of what I see in the picture make any release and feel safe in doing so.

We are gambling here with a lot of things that I don't believe we are justified in gambling with.

Mr. SOURWINE. I appreciate your steadfastness, Mr. Nelson.

I have here a chart which I have prepared from various sources including official figures of the alcohol tax unit, official figures from W. P. B. records, the January progress report on industrial alcohol, reports and testimony by Dr. Whitman, which were presented before the Gillette subcommittee, and official letters and other sources.

It is in the form of a number of tables.

I want to introduce it in the record.

I should like to ask Mr. Nelson and Dr. Whitman the latest figures in some of these categories so we can bring the table up to date for the record and then I shall turn the sheet over to you for your use during the hearing because we will be talking about these figures.

Dr. Whitman, what is your estimate as of today of industrial alcohol requirements for the rubber program for 1944?

Mr. WHITMAN. 365,000,000 gallons.

Mr. SOURWINE. You aren't changing that figure in view of the discussion we just had about the facts?

Mr. WHITMAN. No.

Mr. SOURWINE. Can you give us that requirement by quarters, sir?

Mr. WHITMAN. I believe I can.

Senator FERGUSON. Do I understand that would be merely an addition of figures that have been furnished you by the rubber people?

Mr. NELSON. That is right, sir.

Mr. WHITMAN. As far as the rubber program is concerned.

Senator FERGUSON. Will that be true of the other figures you were going to give Mr. Sourwine?

Mr. SOURWINE. I don't know that they will be from the Rubber Director.

Mr. NELSON. They will be from the claimant agencies and their best judgment of what they are going to use.

Mr. WHITMAN. First quarter, 86½ million; second quarter, 92½ million; third quarter, 93,000,000; and the fourth quarter, 93,000,000.

Mr. SOURWINE. Thank you, sir.

Now, will you give us, Dr. Whitman, your present estimate of 1944 requirements in the various categories; what is your estimate of requirements for direct military use?

Mr. WHITMAN. We have been asked by the military not to give that in a public hearing in the future. I can give you the combination of military and lend-lease and we can supply to the committee the other figures if you so desire.

The CHAIRMAN. We would like to have that.

Mr. WHITMAN. The combination is 79,000,000 gallons for the calendar year for direct military and lend-lease.

Mr. SOURWINE. On April 15 a W. P. B. press release quoted the break-down on those figures. What has happened since then to make them confidential?

Mr. WHITMAN. Advice from the military.

Senator FERGUSON. I understand they have been printed already, but now they are a military secret.

Mr. WHITMAN. From now on we are asked not to quote publicly.

Mr. SOURWINE. And your requirements for the rubber program you have stated as 365,000,000 gallons?

Mr. WHITMAN. That is right; yes, sir.

Mr. SOURWINE. How about indirect military and civilian use?

Mr. WHITMAN. 160,000,000.

Mr. SOURWINE. And for antifreeze?

Mr. WHITMAN. 32,000,000.

Mr. SOURWINE. Making a total of what, sir?

Mr. WHITMAN. That ought to be 636,000,000.

Mr. SOURWINE. Dr. Whitman, what is your present estimate on industrial alcohol production? What is your present estimate on production for 1943?

Mr. WHITMAN. 1943 production, 449,000,000. That includes about 12,000,000 of imports.

Mr. SOURWINE. Yes. That is only 2,000,000 less than your January 3 estimate. What is your present estimate of total requirements for 1944—the figure you have just given us of 636,000,000?

Mr. WHITMAN. That is correct.

Mr. SOURWINE. Now, breaking down your estimate on supplies of industrial alcohol, what do you estimate the supply will be for the year 1944 from industrial plants producing synthetically?

Mr. WHITMAN. This is 1944?

Mr. SOURWINE. Yes, sir.

Mr. WHITMAN. 63,000,000.

Mr. SOURWINE. That is up a little bit from the last estimate that you made on April 25.

Mr. WHITMAN. No, sir.

Mr. SOURWINE. Or was it April 15?

Mr. WHITMAN. I don't know. That figure, I understand—

Mr. SOURWINE. It was 60,000,000 for a long while, wasn't it?

Mr. WHITMAN. Yes, and then on the basis of some better results from one of the plants we now estimate 63,000,000.

Mr. SOURWINE. I see. And from industrial plants using the fermentation process, what do you expect to get?

Mr. WHITMAN. I will have to add that up, I believe. Can you tell me what categories you have there?

Mr. SOURWINE. They are the categories which I believe you have used. There are industrial plants—synthetic, industrial plants—fermentation, new plants, beverage plants, and imports.

Mr. WHITMAN. Well, synthetic is 63,000,000. I am leaving out the last figure, but accurately it is 63,100,000.

Mr. SOURWINE. That is fine, sir.

Mr. WHITMAN. Beverage plants, 228,000,000; imports, 25,000,000; new plants at 61.2 million, and the remainder I will have to get by addition, but will all total up to 611,000,000.

Mr. SOURWINE. Is that the way you usually get that production?

Mr. WHITMAN. No, sir; I am doing it for you right now. It should be 233.7, if I am correct.

Mr. SOURWINE. I want to ask you about the import figure. What does that include?

Mr. WHITMAN. That includes imports from Canada—

Mr. SOURWINE. Approximately how many?

Mr. WHITMAN. 12,000,000; Mexico, 4,000,000—

Mr. SOURWINE. And Cuba?

Mr. WHITMAN. 9,000,000.

Mr. SOURWINE. You do not anticipate that Cuba will deliver under that contract to give us 12½ million?

Mr. WHITMAN. Not within the calendar year.

Mr. SOURWINE. Did she deliver any during this year on the basis of prior contracts?

Mr. WHITMAN. I believe not; I don't know.

The CHAIRMAN. At that point, Dr. Whitman, is it your desire or the desire of the Board to get as much alcohol or molasses from Cuba as possible?

Mr. WHITMAN. Yes, sir.

The CHAIRMAN. Do you find any agency or any condition that is interfering with your getting more alcohol from Cuba?

Mr. WHITMAN. That is a pretty broad question. There is a condition which exists, namely, that the movement of industrial alcohol to the United States is a new movement which is going to involve quite a lot of transportation problems that have not been worked out fully, and we do not expect the movement can start at as high a rate as we eventually will achieve.

We expect to get substantially the amount that the Cubans have contracted to deliver to us, 12½ million gallons, minimum, and perhaps as much as 20,000,000 gallons, but we don't think it will come in within the calendar year 1944.

The CHAIRMAN. What is the productivity of Cuba in alcohol, in round figures?

Mr. WHITMAN. That is almost in the realm of speculation and rumor. We have heard so many figures that we don't have any confidence in any of them.

The CHAIRMAN. The amount you have contracted for is less than their production?

Mr. WHITMAN. Yes.

Mr. SOURWINE. Isn't it true we are taking a very substantial portion of a raw material Cuba would otherwise use for industrial alcohol and bringing it here; that is, the molasses?

Mr. WHITMAN. That is correct.

Mr. SOURWINE. So probably they will have enough facilities to make alcohol out of the molasses we are leaving them, so the question there is, what is the crop—how much molasses will they have?

Mr. WHITMAN. I think probably they will have the potential capacity to consume all the molasses left down there in some sort of facilities. The facilities may not be all adequate for producing specification alcohol.

Mr. SOURWINE. When you doubt whether you are going to get 12½ million or more, you are concerned not with whether they can make it, but with whether or not it can be brought up here?

Mr. WHITMAN. That is a fair point to consider.

The CHAIRMAN. There is another part to consider also, isn't there?

Mr. WHITMAN. The general question of starting to operate a new movement which never has gone on in the past.

The CHAIRMAN. Haven't you found other agencies militating against your getting all of the output of Cuba?

Senator FERGUSON. Haven't you heard, or don't you know of some of the manufacturers here who deal in beverages going down there and buying beverages, as they want to make beverages rather than shipping molasses?

Mr. WHITMAN. Of course, certain of our domestic people have been bringing beverages up, but that operation is now under the import control order.

The CHAIRMAN. But as to their control of alcohol-producing substances of Cuba, don't you know that to exist?

Mr. WHITMAN. I don't know of that, sir.

The CHAIRMAN. You have heard of it?

Mr. NELSON. I haven't, Mr. Senator.

The CHAIRMAN. My recollection is it was discussed somewhat freely at the meeting in the Secretary of the Treasury's office. I think you joined in the discussion, Doctor, but my memory might not serve me right.

Mr. WHITMAN. I gather you are talking about a control of Cuban molasses by American firms which would prevent us getting that molasses.

Mr. NELSON. If you are referring to the price, there was a price question.

The CHAIRMAN. Didn't we discuss in the Secretary's office certain agencies that had gone in there and taken at least a part of the alcohol-producing substances of Cuba?

Mr. WHITMAN. I think we are talking along two different lines. I believe you are talking about the fact that certain American interests went down there first to tie up the liquor of Cuba in order to bring it into this country, but I don't see that that has any bearing upon the availability of industrial alcohol and molasses from Cuba with our import control order now in effect.

The CHAIRMAN. Not only did they seek to control the liquor, but also to control the molasses and the alcohol-producing substances in Cuba.

Mr. WHITMAN. I don't know anything about that.

Mr. SOURWINE. May I get figures for these two charts before adjournment, Mr. Chairman?

The CHAIRMAN. Surely.

Mr. SOURWINE. On your figures for alcohol production for the present year, that is, 1944, can you tell us your estimate of production for the month of March?

Mr. WHITMAN. Yes. March was an exceptionally good month and the total production shows 53,300,000 gallons. That includes an importation of 1,800,000.

Mr. SOURWINE. How much of that was from beverage plants, Doctor?

Mr. WHITMAN. 21½ million.

Mr. SOURWINE. How much was from new plants?

Mr. WHITMAN. 4,000,000.

Mr. SOURWINE. And how much was from industrial plants using the fermentation process?

Mr. WHITMAN. I will have to add that up.

Mr. SOURWINE. Do you have the synthetic plants?

Mr. WHITMAN. Five million seven, and the fermentation would be a combination of several things which would bring it up to a total of 53,300,000.

Mr. SOURWINE. How about April?

Mr. WHITMAN. We don't have the figures.

Mr. SOURWINE. Do you have any estimate on what they might be?

Mr. WHITMAN. I don't believe our April figures, as I have them here, are based upon anything more than the prediction before we receive the actual data.

We have, I think, some estimates for the first half of the month, but I don't believe they are indicated in my figures yet.

Mr. SOURWINE. They are then unavailable. And now the final figure to bring these charts down to date: What is the present estimate of industrial alcohol stocks as of April 30?

Mr. WHITMAN. I can merely give you the April 15 figure of 87½ million.

Mr. SOURWINE. No figure available as of April 30?

Mr. WHITMAN. That is correct. I made inquiries specifically to determine whether I could have that figure in time for this session but it could not be secured.

Mr. SOURWINE. I made the same inquiries but I had hoped you would be more successful than I.

This series of charts is to be offered for the record.

The CHAIRMAN. It may be inserted in the record at this point.

(The charts referred to follow:)

War Production Board estimates of 1944 industrial alcohol requirements

	Date of estimate					
	Oct. 20, 1943	Dec. 1, 1943	Jan. 3, 1944	Mar. 25, 1944	Apr. 15, 1944	May 4, 1944
Direct military	48.0	60.0	48.0	38.1	24.6	79.0
Lend-lease	61.2	46.0	28.0	35.9	48.9	365.0
Synthetic rubber	331.4	311.0	328.0	347.0	363.0	190.0
Indirect military and civilian	132.4	165.0	165.0	165.0	160.0	190.0
Antifreeze	42.0	42.0	32.0	32.0	32.0	32.0
Total	635.0	624.0	632.0	638.0	630.5	636.0

War Production Board estimates of 1943 industrial alcohol requirements

	Date of estimate					
	Apr. 20, 1943	Oct. 20, 1943	Dec. 1, 1943	Jan. 3, 1944	Mar. 28, 1944	Apr. 15, 1944
Direct military	61.1	43.3	43.0	43.0	41.2	39.9
Lend-lease	54.9	55.0	64.9	68.0	63.0	63.0
Synthetic rubber	144.5	128.8	130.9	127.0	127.0	128.9
Indirect military and civilian	132.2	142.0	147.6	146.0	147.9	147.9
Antifreeze	42.0	42.0	45.0	45.0	50.0	50.8
Total	434.7	412.1	435.1	433.0	429.9	428.5

War Production Board estimates of 1942 industrial alcohol requirements

	Date of estimate	
	Jan. 3, 1944	Apr. 15, 1944
Direct military	52.0	48.1
Lend-lease	25.0	23.1
Synthetic rubber	120.0	128.0
Indirect military and civilian	29.0	30.0
Antifreeze	29.0	30.0
Total	225.0	229.2

NOTE.—Above figures in millions of wine gallons, 190-proof ethyl alcohol.

Industrial alcohol requirements for rubber program, 1944

Date	Estimate by—	First quarter	Second quarter	Third quarter	Fourth quarter	Total
Feb. 18, 1943	War Production Board	79.5	79.5	79.5	79.5	318.0
Mar. 22, 1943	do.	78.4	79.4	79.5	79.5	317.8
Apr. 20, 1943	do.	68.1	68.1	68.1	68.1	272.4
May 30, 1943	do.	71.7	71.7	71.7	71.7	286.8
July 30, 1943	do.	71.7	71.7	71.7	71.7	286.8
Sept. 16, 1943	do.	80.1	82.5	82.5	82.5	327.6
Oct. 14, 1943	Walter G. Whitman (testimony)	80.5	83.7	83.7	83.7	332.6
Oct. 20, 1943	War Production Board	76.5	78.0	78.2	78.3	311.5
Nov. 11, 1943	Col. Bradley Dewey	82.2	83.4	81.0	81.0	327.6
Dec. 1, 1943	War Production Board	82.2	83.4	81.0	81.0	327.6
Dec. 15, 1943	Col. Bradley Dewey (letter to Dr. Whitman)	82.2	83.4	81.0	81.0	327.6
Jan. 3, 1944	Walter G. Whitman (report)	82.2	83.4	81.0	81.0	327.6
Jan. 25, 1944	Col. Bradley Dewey (letter to Dr. Whitman)	82.2	83.4	81.0	81.0	327.6
Jan. 26, 1944	Donald M. Nelson (press release)	82.2	83.4	81.0	81.0	327.6
Mar. 23, 1944	Walter G. Whitman (testimony)	82.2	83.4	81.0	81.0	327.6
Apr. 13, 1944	Walter G. Whitman (press release)	82.2	83.4	81.0	81.0	327.6
Apr. 24, 1944	Office of Rubber Director (by phone)	86.0	92.5	93.0	93.0	364.5
May 4, 1944	Walter G. Whitman (testimony)	86.0	92.5	93.0	93.0	364.5

NOTE.—Above figures in millions of wine gallons, 190-proof ethyl alcohol.

Industrial alcohol production estimates

Date of estimate	Source of estimate	1942	1943	1944
Jan. 15, 1943	War Production Board, official statistics	518.1	584.2	584.2
Feb. 18, 1943	do.	480.4	505.4	505.4
Mar. 22, 1943	do.	480.4	505.4	505.4
Apr. 20, 1943	do.	462.6	544.4	544.4
July 30, 1943	do.	461.8	608.5	608.5
Sept. 16, 1943	do.	450.0	590.0	590.0
Oct. 14, 1943	Walter Whitman, testimony	449.3	590.0	590.0
Oct. 20, 1943	War Production Board, official statistics	448.3	590.0	590.0
Dec. 1, 1943	do.	448.3	590.0	590.0
Jan. 3, 1944	Walter Whitman, progress report	297.5	451.0	451.0
Mar. 2, 1944	Walter Whitman, testimony	449.0	590.0	590.0
May 4, 1944	do.	449.0	590.0	590.0

NOTE.—Above figures in millions of wine gallons—190-proof ethyl alcohol.

Industrial alcohol supply estimates

1943

Date of estimate	Source of estimate	Industrial plants		New plants	Beverage plants	Imports	Total
		Synthetic	Fermentation				
May 25, 1942	War Production Board, press release	55.0	225.0	-----	240.0	10.0	540.0
Oct. 15, 1942	Walter Whitman, report to Industrial Advisory Board	62.0	114.0	-----	-----	-----	-----
Do.....	War Production Board, official statistics	62.4	182.5	-----	244.8	12.0	489.7
Jan. 15, 1943	do.....	58.7	195.8	-----	252.0	11.6	518.1
Apr. 30, 1943	do.....	54.1	170.2	-----	238.3	12.3	475.9
July 30, 1943	do.....	57.6	152.1	-----	238.2	13.7	462.6
Oct. 30, 1943	do.....	58.2	151.3	-----	227.8	14.0	449.3
Dec. 1, 1943	do.....	56.1	150.0	-----	227.9	14.6	448.6
Jan. 8, 1944	Walter Whitman, progress report	56.0	146.0	5.0	228.0	14.0	451.0

1944

Feb. 18, 1943	War Production Board, official statistics	61.2	259.0	-----	252.0	12.0	584.2
Mar. 22, 1943	do.....	61.2	300.6	-----	254.0	12.0	607.8
Apr. 20, 1943	do.....	60.0	265.8	-----	252.0	16.6	595.4
June 23, 1943	do.....	61.2	215.6	-----	252.0	15.6	545.4
Sept. 16, 1943	do.....	61.2	288.0	-----	244.0	15.6	608.8
Oct. 14, 1943	Walter Whitman, testimony	61.0	-----	-----	16.0	-----	-----
Oct. 20, 1943	War Production Board, official statistics	61.2	286.2	-----	227.0	15.6	590.0
Dec. 1, 1943	do.....	60.0	294.8	-----	237.0	15.6	607.4
Jan. 3, 1944	Walter Whitman, progress report	60.0	229.0	60.0	228.1	16.0	593.0
Mar. 2, 1944	Walter Whitman, testimony	60.0	-----	-----	25.0	600.0	-----
Apr. 25, 1944	Tentative estimate	60.0	1,230.0	60.0	1,211.0	28.6	619.5
May 4, 1944	Walter Whitman, testimony	63.1	293.7	61.2	228.0	25.0	611.0

¹ Based on production, first quarter of 1944; other figures War Production Board's estimate except tentative estimate of imports raised to indicate 12,500,000 gallons from Cuba.

NOTE.—Above figures in millions of wine gallons—190-proof ethyl alcohol.

Alcohol production, 1944

Month	Date and source of estimate	Industrial plants		New plants	Beverage plants	Imports	Total
		Synthetic	Fermentation				
January.....	War Production Board press release, Apr. 15	-----	-----	-----	-----	900,000	46,700,000
Do.....	Walter Whitman, testimony, Mar. 2	4,914,000	10,146,000	2,322,000	30,097,000	889,000	47,368,000
February.....	do.....	4,773,000	18,603,000	2,193,000	19,745,000	1,234,000	46,448,000
March.....	War Production Board press release, Apr. 15	-----	-----	-----	-----	1,800,000	51,500,000
Do.....	Walter Whitman, testimony, May 4	5,700,000	20,300,000	4,000,000	21,500,000	1,800,000	53,300,000
April.....	do.....	(1)	-----	-----	-----	-----	-----

¹ Unavailable.

NOTE.—Above figures in wine gallons—100 proof.

Production of distilled alcohol and spirits

[Statistics furnished by Alcohol Tax Unit, Bureau of Internal Revenue]

	Calendar year 1943		January 1944		February 1944	
	Proof gallons	Equivalent gallons at 190°	Proof gallons	Equivalent gallons at 190°	Proof gallons	Equivalent gallons at 190°
1. Ethyl alcohol (produced at industrial alcohol plants; includes production by redistillation).....	514.0	271.0	56.7	29.8	55.3	29.1
2. Spirits (produced at registered distilleries; includes production by redistillation).....	178.4	93.9	19.5	10.2	19.2	10.1
3. Total, lines 1 and 2.....	693.3	364.9	76.2	40.0	74.5	39.2
4. Unfinished spirits (produced at registered distilleries).....	221.3	116.4	16.3	8.6	15.8	8.3
5. Total, lines 3 and 4.....	914.6	481.3	92.5	48.6	90.3	47.5
6. Unfinished spirits and other products used in redistillation.....	83.7	44.0	3.7	1.8	2.8	1.5
7. Net production (line 5 minus line 6).....	830.9	437.3	88.8	46.8	87.5	46.0

NOTE.—All figures in millions of gallons.

Production of registered distilleries and industrial alcohol plants, calendar year 1945

[Final undited figures, Alcohol Tax Unit, Bureau of Internal Revenue]

	Tax on proof gallons	Equivalent gallons at 190°
Registered distilleries:		
Equipment or plant leased from Defense Plant Corporation.....	94,893,177	45,894,368
Other.....	307,883,040	153,025,915
Total gross production including redistillation.....	402,842,217	213,022,218
Production by redistillation (subtract).....	17,250,930	9,076,436
Net original production.....	385,591,287	203,945,782
Industrial alcohol plants:		
Equipment or plant leased from Defense Plant Corporation.....	228,344,321	110,128,590
Other.....	268,977,042	133,065,127
Total gross production including redistillation.....	515,321,363	273,212,717
Production by redistillation (subtract).....	64,155,950	33,746,582
Net original production.....	451,165,413	239,476,135
Total original production, registered distilleries and industrial alcohol plants.....	836,727,000	440,412,917

Government stocks of industrial alcohol

[All figures, unless otherwise indicated, are from Progress Report on Industrial Alcohol, Jan. 3, 1943, by Dr. W. G. Whitman]

Date	Source and date of estimate	Gallons
Apr. 30, 1942		1.9
October 1942		22.9
Dec. 31, 1942		64.2
Jan. 8, 1943	Walter Whitman (report to Industrial Advisory Committee), Jan. 14, 1943.	57.0
Jan. 31, 1943		78.2
Apr. 30, 1943		118.8
July 31, 1943		137.5
Aug. 31, 1943		129.9
Sept. 30, 1943		119.7
Oct. 31, 1943		110.0
Nov. 30, 1943		83.9
Dec. 31, 1943		79.7
Do.	Walter Whitman, statement submitted May 19, 1944.	156.6
Feb. 29, 1944	Walter Whitman (testimony), Mar. 25, 1944	78.6
Mar. 16, 1944	Samuel Sabin, Defense Supplies Corporation (testimony), Mar. 30, 1944.	82.0
Mar. 31, 1944	Walter Whitman (press release), Apr. 15, 1944.	83.2
Apr. 15, 1944	Samuel Sabin, Defense Supplies Corporation (by telephone), May 2, 1944.	87.5
Do.	Walter Whitman (testimony), May 4, 1944.	87.5

NOTE.—Above figures in millions of wine gallons, 100-proof ethyl alcohol.

The CHAIRMAN. We regret very much not to be able to go on this afternoon due to the fact that there is a very important bill on the floor of the Senate. We realize the time of you gentlemen is very important and we don't want to occupy it any more than is necessary. The committee will stand at recess until tomorrow morning at 10 o'clock.

Dr. Whitman, will you kindly return at that hour tomorrow? (Whereupon, at 12:15 p. m., an adjournment was taken to 10 a. m., Friday, May 5, 1944.)

LIQUOR INDUSTRY

FRIDAY, MAY 5, 1944

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 457, Senate Office Building, Senator Pat McCarran (chairman) presiding.

Present: Senators McCarran (chairman), Murdock, and Ferguson. Also present: J. G. Sourwine, committee counsel. The CHAIRMAN. The committee will come to order.

STATEMENT OF DONALD M. NELSON (ACCOMPANIED BY WALTER G. WHITMAN)—Resumed

Mr. SOURWINE. Mr. Chairman, yesterday at the conclusion of the hearing, or just before the conclusion of the hearing, we had inserted in the record a chart of production estimates, estimates of requirements, estimates of stocks, and so forth.

I wish to start out this morning with some questions about those figures.

I shall try to identify them so the chart won't be necessary for the purposes of answering the questions.

Between April and December of last year, Mr. Nelson, the W. P. B. estimate of alcohol requirements for direct military use during the year decreased from about 61,000,000 gallons to about 43,000,000 gallons; is that right?

Mr. NELSON. That is right, sir.

Senator MURDOCK. What year was that?

Mr. SOURWINE. 1943.

During the same period your estimate of requirements for the rubber program decreased from about 144,000,000 gallons to about 130.9 million gallons; is that right?

Mr. NELSON. For what period, sir?

Are you talking short-range or long-range?

Mr. SOURWINE. Those are the estimates of 1943 requirements.

Mr. NELSON. Yes; that is right.

Mr. SOURWINE. At the same time that estimates for direct military use and the rubber program were being revised downward, the estimate of requirements for indirect military and civilian uses went from 174 million up to 195 million, including a 6 million increase for antifreeze?

Mr. NELSON. Yes.

Mr. SOURWINE. Can you tell us anything about the justification for those two increases?

Mr. NELSON. I would rather Mr. Whitman would answer that. There were very good reasons why that was done.

Mr. WHITMAN. The increases were due to increased knowledge of what was going to be required in the way of essential civilian and indirect military. The demands for lead tetraethyl to be into aviation gasoline increased during that period.

Mr. SOURWINE. That would be an indirect military use?

Mr. NELSON. That would be an indirect military item. That takes a reasonable amount of alcohol in its production. Demands for alcohol for acetaldehyde to be made into a large number of chemicals increased during that period.

Mr. SOURWINE. Other than butadiene?

Mr. WHITMAN. Other than butadiene. It would be impossible at this moment to recite all of the elements which came in to increase the estimate of indirect military and civilian.

Mr. NELSON. Wasn't some of that to replenish ethylene glycol for antifreeze?

Mr. WHITMAN. I believe so.

Mr. NELSON. I believe ethylene glycol was needed and the alcohol for antifreeze was increased.

Mr. SOURWINE. Does alcohol go into the manufacture of ethylene glycol?

Mr. NELSON. No; but it is an antifreeze.

Mr. SOURWINE. And that was required for the—

Mr. NELSON. We had to pass more alcohol to take care of the cars to keep them from freezing.

Mr. SOURWINE. Do you keep a constant check on the amount of alcohol being used in each of the various requirement categories?

Mr. WHITMAN. Yes, sir. Alcohol was placed under more rigid allocation in the fourth quarter of 1943, and as the allocation became more rigid it was possible to obtain more accurate estimates of how it was being used and what the future requirements would be.

In yesterday's discussion, about 1942, it should be quite evident that early in 1942 there was not much information available, not as much as we later had for our purposes. Therefore, we feel that our ability to estimate has been steadily refined as time has gone on.

Mr. SOURWINE. You know from month to month how much has been shipped for lend-lease, how much has been used in the rubber program, and so on?

Mr. WHITMAN. Yes; the major items of consumption.

Mr. SOURWINE. It is true, is it not, that allocations for indirect military uses and for antifreeze are wholly within the control of the War Production Board?

Mr. NELSON. That is right, sir.

Mr. SOURWINE. And your estimates of requirements in that classification made in April of last year were based upon the allocations you had predetermined?

Mr. NELSON. To a very large extent.

Mr. WHITMAN. You realize the full allocation didn't start to operate until the fall of 1943 so that our data as of the spring of 1943 were less accurate than they became later.

Mr. SOURWINE. Since the fall of 1943, and at the present time, in order to permit an increased use of alcohol in either of those two

categories it would be necessary for you to grant an increased allocation?

Mr. NELSON. That is right.

Mr. SOURWINE. When you grant an increased allocation is that because the need has turned out to be greater than you had anticipated, or because the requirements in other categories were lower and you, therefore, had more alcohol?

Mr. NELSON. Both ways.

Mr. SOURWINE. The need for indirect military and civilian is not a positive but a relative figure?

Mr. NELSON. A relative figure. Of course, we could go in and make our figures absolutely airtight by spending a lot of money. We are not pretending that our figures are absolutely accurate to the tenth of a gallon because we have not spent the money to gather those statistics. Let's talk in general for a moment, and then alcohol specifically.

We are not able to grant everything that everybody in the country wants. We try to the best of our ability to estimate what they need and to give them what they need. Sometimes we have to cut the needs very severely in the indirect uses of a great many things.

As the supply picture becomes better we do increase the amount going to some of these indirect needs, either indirect military, indirect civilian or direct civilian, and, of course, it is not an exact process.

I would be certainly misrepresenting if I told you that we had an exact process of estimating everything that everybody in the United States needed. It would be ridiculous for me to attempt to tell you that there is any sort of statistics that prove that or that anybody in the United States is wise enough to know. As a matter of fact, through our requirements committee pass the requirements of all of the world with the exception of the Axis Powers.

Mr. SOURWINE. Your estimates of direct military uses during 1944, that is, your estimates of requirements for direct military uses for the current year, have declined from 60,000,000 gallons, which was your estimate on December 1, 1943, to an estimate of 24.6 million gallons on April 1 of this year. Is that approximately correct, sir?

Mr. WHITMAN. Yes; and they have since increased.

Mr. SOURWINE. How much further do you think they will increase or decrease before the end of the year?

Mr. NELSON. That we don't know. That depends on the fortunes of war. We get these estimates from the military services.

Senator FERGUSON. You say you get them from the military services. You take them as given?

Mr. NELSON. We check them very carefully.

Senator FERGUSON. In what way?

Mr. NELSON. By going back and examining what the quantities are and what they are for. We have had to do that because often these are duplicated.

Senator FERGUSON. Is it your judgment or the military services' judgment as to what is necessary?

Mr. NELSON. It is the combination because oftentimes a product may be four or five times removed from the immediate thing that is to be used. It may be for bombs and the alcohol may be down in the fifth or sixth tier of products needed to build up that particular thing.

Senator FERGUSON. Doesn't the Army know how much alcohol goes into each bomb and how many bombs they need?

Mr. NELSON. The need for bombs changes all the time as strategy changes.

Senator FERGUSON. But the Army knows what it is?

Mr. NELSON. At a given point; yes, sir.

Senator FERGUSON. Does your agency have any independent knowledge of the number of bombs that are going to be required?

Mr. NELSON. No, sir. We get that from military services, but we do check back.

Senator FERGUSON. But you said it was a joint judgment as to the number of bombs that are going out?

Mr. NELSON. I said as to the ingredients that go to make up the bombs.

Senator FERGUSON. I don't know that it is clear to me.

The CHAIRMAN. Is that a joint judgment as to the ingredients?

Mr. NELSON. It is not a joint judgment, sir. The Chiefs of Staff will give us requirements, requirements will be set, so many of this and so many of something else. That takes materials of all kinds at all levels, even down to the fifth, sixth, and seventh subcontractors.

What we attempt to do in determining the ingredients that are necessary—take molybdenum and steel—we check back with them to see there are no duplications. This is being done constantly. We have to do that.

Senator FERGUSON. But it is not clear in your answer to me.

Mr. NELSON. May I explain it again, sir? May I explain again what we are attempting to tell you?

Senator FERGUSON. Yes.

Mr. NELSON. They will give us certain requirements that they want. It is our job to keep ahead of that so that they will constantly have material and there will be no hold-up in production at any place along the picture. The Army does not have all the information about all these materials. They could have, yes; but they depend on us because we know.

We are providing thousands of chemicals ahead of actual needs. We check back on those requirements, translating from requirements at the top down to the requirements at the bottom. For example, there are situations where they will want certain things. Now, we have conflicts between the services for different things. When those conflicts occur, we have to go in and ask the military services to revise their requirements for a particular thing, pointing out to them the conflicts down the line.

Senator FERGUSON. But, as I understand, you have not had any conflicts as far as alcohol is concerned, because you have had plenty to supply the Army and Navy and other agencies so far as the war is concerned.

Mr. NELSON. That is right; but we are checking actual figures of needs. That is what we are talking about. You are questioning our estimates of our needs, and I am trying to explain to you, sir, that in making the estimates we work with the military services to estimate the amount of the needs.

Senator FERGUSON. What was the variation and over what period?

Mr. SOURWINE. The estimate of direct military use of alcohol during 1944 was 60,000,000 gallons on December 1, 1943.

On April 1, 1944, 4 months later, the estimate was 24.6 million gallons.

Senator FERGUSON. A variation of what?

Mr. SOURWINE. A variation of somewhere in excess of 50 percent.

Mr. NELSON. Because of changing requirements.

The CHAIRMAN. That is a futuristic requirement, isn't it?

Mr. NELSON. We try to make it futuristic. We try to anticipate exactly what we are going to have to do.

The CHAIRMAN. Please correct me, if I misstate that.

That variation would reflect this conclusion, that the Army for a period of time in the future had determined they would not require more than 50 percent of what they had estimated for 3 or 4 months in the past. Is that about right?

Mr. NELSON. That is right for direct use. We must always distinguish between the direct and indirect. The indirect is just as important as the direct. One of the big indirect requirements we estimate for the Army is alcohol for butadiene for tires. That becomes, as such, a military requirement for tires, but the alcohol for butadiene is an indirect requirement because the Army does not buy alcohol for that purpose.

In the direct military requirements are the things that the Army directly places contracts for in solving that particular thing. We often lump it together as civilian, but it is a requirement just as much for the military as though they bought the alcohol. They ask for the tires.

Mr. SOURWINE. Mr. Nelson, your figures on indirect military and civilian, as you quote them, are separate from your figures for requirements on synthetic rubber.

Mr. NELSON. That is correct, but the synthetic rubber requirement may be just as well a direct military requirement. The alcohol for butadiene for tires for the Army is as much a direct military requirement as the alcohol for smokeless powder.

Mr. SOURWINE. But we assume these categories in which you are breaking down figures are categories that have some validity?

Mr. NELSON. That is right, sir, and I am trying to explain it so you will understand it.

Mr. SOURWINE. Do you know how much alcohol has gone to military uses during the first quarter of this year, and I mean direct military, as you use the term?

Mr. WHITMAN. Yes, sir. Of course, the answer to that should be confidential to the committee, as I mentioned yesterday, at the request of the military services. We shall be glad to give you that.

Mr. SOURWINE. The figures on the amounts that have been used in the past are, then, a military secret?

Mr. WHITMAN. I should so construe it in view of the advice that we have from the military.

Mr. SOURWINE. Would that be true with regard to amounts used by the military in 1943?

Mr. WHITMAN. I think since these have been published there is no reason for that. It is the future estimates, primarily.

Mr. SOURWINE. And the use for the first quarter of this year?

Mr. WHITMAN. Yes, because that has not been published, to the best of my knowledge.

Mr. SOURWINE. Can you say whether there will be either a curtailment or increase in the requirements for direct military use in the future?

Mr. WHITMAN. At the request of the committee yesterday I have prepared a confidential communication to Senator McCarran which gives the break-down on our first estimate of military plus lend-lease [document handed to the chairman].

Mr. NELSON. Have you marked that "confidential"?

Mr. WHITMAN. I requested that it be kept confidential.

Mr. SOURWINE. Do you know how much industrial alcohol was exported during the first quarter of 1944 under lend-lease?

Mr. WHITMAN. That, again, should be confidential, because the combined military and lend-lease has been given to you.

Mr. SOURWINE. Are you aware that the figure on lend-lease exports during the first quarter of 1944 has been furnished without any confidential tab?

Mr. WHITMAN. I don't know, sir.

The CHAIRMAN. I don't like to interrupt your train of examination, Mr. Sourwine, but it seems to me that just a moment ago there was a place I would like to have asked a question.

Mr. SOURWINE. All right, sir.

The CHAIRMAN. This is the way the facts related by yourself strike me, Mr. Nelson, as regards the reduction in the demand or request for or requirement for the Army at a period when the requirement for direct military use was reduced 50 percent.

Mr. NELSON. Yes, sir.

The CHAIRMAN. We must, first of all, as I visualize the picture, remember that you undoubtedly had made your estimates and determinations for indirect military use prior to this, which indirect military use, I take it, included the manufacture of rubber. Those determinations you had also made, as well as the direct military use, had you not, sir?

Mr. NELSON. That is right, sir.

The CHAIRMAN. Was there any reduction or increase in the indirect military use for the same period?

Mr. NELSON. We were preparing, sir, for the coming in of the synthetic rubber plants, the butadiene from alcohol, and preparing for a big increase in efficiency from those plants.

The CHAIRMAN. You had been doing that right along?

Mr. NELSON. That is right, sir.

The CHAIRMAN. When you found a reduction of requirement of 50 percent for military use as related here by the figures, why did you not then notify the industry that they might release for potable purposes or consumptive purposes, to an extent at least, a part of the 50 percent that you found not required by the direct military?

Mr. NELSON. Because we had an increase in other requirements.

The CHAIRMAN. That is exactly what I asked a minute ago.

Mr. NELSON. I certainly said to you, sir, that we anticipated an increase in requirements.

The CHAIRMAN. You say "anticipated." Had you actually a requirement for an additional amount in the butadiene?

Mr. NELSON. That is right, sir. We anticipated—

The CHAIRMAN. No. I am talking of actualities now, please.

Mr. NELSON. I am trying to give you actualities, sir.

The CHAIRMAN. You remember you told me that while you were preparing for the military use in estimating, you were also making estimates for the semi- or incidental military use.

Mr. NELSON. That is right, sir.

The CHAIRMAN. Such as rubber?

Mr. NELSON. That is right, sir.

The CHAIRMAN. So you had your estimates based on your anticipation. Now, did you change those estimates? Did you reduce those estimates, or did you raise them?

Mr. NELSON. We raised them, sir.

The CHAIRMAN. When did you raise them?

Mr. NELSON. I believe it was August.

Mr. WHITMAN. September.

Mr. NELSON. When the plants began to come in and we saw we could increase the efficiency we raised them.

Mr. SOURWINE. In September 1943 you raised your estimates?

Mr. NELSON. For butadiene for rubber.

The CHAIRMAN. You raised them in August of 1943?

Mr. NELSON. At the request of the Rubber Director.

The CHAIRMAN. So you had your estimates all fixed for the rubber?

Mr. NELSON. That is right, sir.

The CHAIRMAN. Did you raise or lower those estimates during the period when you found that the direct war uses would be reduced 50 percent?

Mr. NELSON. This is a continuous process and—

The CHAIRMAN. Why then didn't you tell the industry that they could release?

Mr. NELSON. Because we didn't believe they could release it.

The CHAIRMAN. Do you believe they can ever release for potable purposes?

Mr. NELSON. I do, sir.

The CHAIRMAN. When?

Mr. NELSON. When the requirements on use are less than the supply.

The CHAIRMAN. And that was in the first quarter of 1944 as stated by you a moment ago for the first time?

Mr. NELSON. I beg your pardon. If you have seen the figures—

The CHAIRMAN. I take your own statement in answer to Mr. Sourwine.

Mr. NELSON. If I made a mistake in the statement, I am sorry. I do not believe I did make a mistake in the statement.

I said to you, yesterday, sir, that we have estimated that for 1944 our supply would be 611,000,000 gallons and our requirements would be 636,000,000 gallons. If that isn't a case of the supply being less than the requirements, I don't know figures.

The CHAIRMAN. But I am speaking now of actual figures.

Mr. NELSON. Will you repeat the question? If this is to be that kind of cross-examination, I will be glad to weigh my answers more carefully. If that is the way you want to conduct this it is perfectly all right with me.

The CHAIRMAN. My dear sir, we are using figures and facts and your own statement.

Mr. NELSON. Will you please have the statement read back so I may see what the Senator is talking about? I would like to have it read back to me.

The CHAIRMAN. Either that, or Mr. Sourwine can repeat it.
Mr. NELSON. I would like to have the question read back and see wherein my statement now does not conform to the answer I made at that time.

Mr. SOURWINE. What question are you referring to?

Mr. NELSON. I don't know—whatever the Senator has in mind.

The CHAIRMAN. I will clarify it again, on your own statement.

Mr. NELSON. I would like to have the statement read back and see where the difference is.

The CHAIRMAN. Miss Reporter, will you kindly find the question propounded by Mr. Sourwine pertaining to the requirement in the direct military use?

Mr. SOURWINE. It might be helpful if I recapitulated the figures on requirements for those two dates.

The CHAIRMAN. I want to comply with Mr. Nelson's request. He seems to think I am taking advantage of him.

Mr. SOURWINE. Maybe I can repeat the question. It will be quicker.

The CHAIRMAN. Repeat the question, Mr. Sourwine.

Mr. SOURWINE. I asked Mr. Nelson to explain the reasons for the reduction in estimates of military requirements from the December estimate of 60,000,000 gallons to the April estimate of 24.6 million gallons.

The CHAIRMAN. You may answer that. Then, that will clear it.

Mr. NELSON. I would like to start over, as we seem to be confused.

The CHAIRMAN. Surely.

Mr. NELSON. Will you ask that question again. I want to be very careful of how I answer it.

Mr. SOURWINE. Will you explain your reason for the reduction in the estimate of direct military requirements for 1944 from the figure of 60,000,000 on December 1, 1943, to the figure of 24.6 million which you used on April 1, 1944?

Mr. NELSON. I didn't know it had ever gotten as low as 24,000,000. Mr. WHITMAN. I did at one time. It has changed since then.

Mr. NELSON. We get our requirements for direct military from the services, and they are constantly changing as the needs for certain materials of war constantly change.

Senator FERGUSON. Is that the only explanation?

Mr. NELSON. That is the only explanation I know, sir.

The CHAIRMAN. I will go back with my thought which has no catch in it whatever, just using the figures as they are.

Mr. NELSON. Yes, sir.

The CHAIRMAN. I don't desire to trap you or anything of the kind. When you found at the end of the first quarter in 1944 or thereabouts a reduction in the direct military requirements of about 50 percent, why did you not say to the industry then that they might release at least a part of the 50 percent for consumptive purposes or for commercial purposes?

Mr. NELSON. Because we had other requirements, sir, that were increasing at the same time, and on all products we try to anticipate what the demand is going to be.

The CHAIRMAN. I have heard that over and over again. Undoubtedly, that is true. But I try to lay the foundation for you to explain, because you had already anticipated for the indirect military

uses, such as rubber, and you told me that. You had that estimate already set up before you, an estimate of the increased demand that would be made by reason of the fact that your rubber industry was starting up. You had that already fixed and you had the alcohol for it, in accordance with your estimates.

Now, you find that direct military use is cut 50 percent, why didn't you release to the industry at that time?

Mr. NELSON. Will you go back over all of our estimates, sir, of requirements and demands? We have them all right here. What is the particular date you are talking about?

The CHAIRMAN. The date referred to in Mr. Sourwine's question.

Mr. NELSON. What is the date, Mr. Sourwine?

Mr. SOURWINE. December 1 and April 15.

Mr. NELSON. On December 1, 1943, we estimated at that particular time that our supply would be 597,000,000 gallons of alcohol and that our requirements would be 625,000,000 gallons of alcohol, that our requirements would be more than our supply on that particular date, taking in all requirements which we anticipated and all the supply as estimated.

The supply is still running less than the requirements.

Senator FERGUSON. I want to ask a question about supply. You take civilian needs there also?

Mr. NELSON. What we consider essential civilian needs, yes, sir.

Senator FERGUSON. Have you given all the alcohol that has been requested or estimated for essential civilian requirements?

Mr. NELSON. We have not given all the wants. We have given as best we could estimate the needs.

Senator FERGUSON. You have given the needs as best you can estimate. Who determines the needs?

Mr. NELSON. That comes from a variety of places, our Office of Civilian Requirements, various divisions of the Chemical Division, a variety of places.

Senator FERGUSON. You have considered, of course, as I understood from you yesterday, that beverage alcohol is not an essential civilian requirement. Does that mean that there will be other civilian needs supplied before we get any supply for beverage purposes?

Mr. NELSON. No, sir. We think the other civilian uses are getting on the basis of needs.

Senator FERGUSON. Then there won't be any increase in their needs before the liquor industry comes into the picture as an essential need?

Mr. NELSON. Not as we anticipate it now, unless conditions change. We consider the essential civilian is being taken care of to the extent we feel it should be on the basis of needs.

Senator FERGUSON. And at the present status you would say that alcohol beverages would be the next essential civilian need?

Mr. NELSON. I see nothing, sir, that would stand in the way of it on the basis of our present requirements.

Senator FERGUSON. Have you received the picture from the Justice Department and the F. B. I. as to the black market, the lawlessness—

Mr. NELSON. Yes, sir.

Senator FERGUSON. You have received that in your effort to determine whether or not this is an essential civilian need?

Mr. NELSON. May I say this about our mechanism? We have received it, yes, sir. We operate in the War Production Board on the basis of claimant agencies making claims for these particular things.

As I explained yesterday, the beverage department was transferred in April 1943 to the War Food Administration.

Now, if the War Food Administration is one of the claimant agencies and they want to come in and make a claim for alcohol for beverage, we are glad to consider it at any time. We do not handle beverage alcohol in W. P. B.

Senator FERGUSON. I am trying to get the picture. Has War Food made a claim?

Mr. NELSON. No, sir.

Senator FERGUSON. So there is no claim now before the department?

Mr. NELSON. There is no claim now before the W. P. B. for beverage purposes.

Senator FERGUSON. Therefore there could not be a granting of such a claim until the War Food does make such a claim?

Mr. NELSON. They took that department away from us shortly after April 1943 when the War Food Administration was formed.

Senator FERGUSON. Have they anything to do with declaring whether or not alcohol for beverage purposes is one of the civilian essentials?

Mr. NELSON. If they came to us—

Senator FERGUSON. Have they anything to do with that?

Mr. NELSON. They have, sir, certainly.

Senator FERGUSON. So, if they do not come for any reason whatever, then there will be no holiday?

Mr. NELSON. If you are talking about holiday, I don't say that.

Senator FERGUSON. A holiday so far as getting it for beverage purposes.

Mr. NELSON. A holiday as far as the release of the facilities are concerned. But the War Food Administration would have to determine the essentiality and provide the grain, of course. We make the claim for grain for these essential purposes and the direct military over which we have jurisdiction. They have jurisdiction over beverage.

Now, they would make the claim before their own agency for grain for beverage alcohol if they so choose. We would not make it, sir, as I tried to explain to you yesterday.

Senator FERGUSON. Then, if the War Food Administration did not make a claim, there would be no alcohol made for beverage purposes?

Mr. NELSON. That is right, sir. That is the mechanism by which we operate.

Senator FERGUSON. So the ultimate choice of making alcohol for beverage purposes is in the War Food Administration?

Mr. NELSON. Is in the War Food Administration; that is right, sir.

Senator FERGUSON. The control over capacity to make it is in you?

Mr. NELSON. That is right, sir.

The CHAIRMAN. Let us see if I get that clear. You told us yesterday that when you had a surplus of any commodity you notified the agencies that were producing that to no longer produce. Is that correct?

Mr. NELSON. That is right, sir.

The CHAIRMAN. Then, if you found that you had a surplus of alcohol, if the requirements for direct military purposes dropped, you would under your general custom notify the agency that you no longer wanted alcohol produced?

Mr. NELSON. We would notify the industry that we no longer needed the full 7 days' operation of their plants.

The CHAIRMAN. Yes.

Mr. NELSON. We would notify them how much we needed. At the same time, if the requirements dropped radically and we had a stock pile and we felt that stock pile was no longer needed to provide the protection against future requirements, as I said to you yesterday, sir, we would notify the R. F. C. and they would dispose of the stock pile.

Mr. WHITMAN. Senator, may I interject one point? In your question you said, "if the direct military requirements dropped." I think you meant to say, "if the total essential requirements drop."

The CHAIRMAN. No; I was specific in that. I was driving at the figures that you have admitted.

Mr. NELSON. That is right, and I have read them to you.

The CHAIRMAN. Let's follow that up.

Mr. NELSON. I said, on December 1, the date when you point out there was a reduction in the direct military requirements, we estimated at that time a supply of 597,000,000 and a requirement of 625,000,000 gallons. The fact that one portion of our requirements might change would not justify us in releasing some of the facilities when the supply is less than the requirements.

The CHAIRMAN. You have anticipated me. I was going to ask, why didn't you release the facilities when you found the production was greater than the need for direct military.

Mr. NELSON. But that is only one of the requirements.

The CHAIRMAN. But you had already told me you had estimated your indirect military use and that was being complied with and the same for rubber.

Mr. NELSON. Have I made plain to you that direct military is one requirement, and we try to estimate them all? You asked why at that particular date did we not release a portion of the alcohol we were getting, and I said to you that at that same time the requirements for 1944, as nearly as we could estimate them, were greater than the supply.

The CHAIRMAN. But those figures were based, and that estimate was based, of course, on the needs for military use as they had been presented to you in December. Isn't that correct? In December they asked for 60,000,000 gallons and in April they asked for 24,000,000 gallons.

Mr. NELSON. But other requirements were higher. I tried to explain—

The CHAIRMAN. I am not going into it any further. I just wanted to ask why you didn't, and if that is your only answer, that is all.

Mr. NELSON. That is the answer, sir.

Senator MURDOCK. I would like to interrupt, if I may, at this time, as I must leave for another committee meeting.

Senator Lucas handed me a memorandum yesterday which I read very carefully and it seems to have some very valuable information in it. The source of the information is not stated. I ask that follow-

ing the examination of Mr. Nelson and Dr. Whitman, that it be included in the record.

The CHAIRMAN. I think there will be no objection. I would like to have it submitted to the counsel for the committee first.

Senator MURDOCK. Before I go I would like to ask one or two questions of Dr. Whitman.

Doctor, on every bottle of blended liquor that we see on the market today we find this: That there is a certain percentage of whisky and a certain percentage of neutral spirits.

Now, the evidence before this committee is this, that when the whisky is taken out of the warehouses it is 100-proof whisky, and that the neutral spirits that it is blended with or mixed with are 190-proof alcohol.

I think the public is confused, and I know I am confused about it. I am wondering how you can get 80.6- or 86-proof whisky out of blending 100-proof whisky with 190-proof alcohol.

Mr. WHITMAN. Add distilled water.

The CHAIRMAN. They add H₂O.

Senator MURDOCK. That is what I am trying to bring out. Is it aqua Potomac or ditch water or what?

Mr. WHITMAN. I have been told that the distillers prefer to use distilled water.

Senator MURDOCK. So, as I see the picture, they must add a considerable quantity of water in order to get an 86-proof whisky out of 100-proof whisky mixed with 190-proof alcohol.

Mr. WHITMAN. That is correct, sir.

Senator MURDOCK. Evidently there is a great saving of alcohol by rectifying or blending of whisky. I am wondering if W. P. B. have any figures that they could give us on the saving of alcohol that results from that type of blending and sale to the public, and if you have any figures on the saving that is made, who gets the advantage of that and to what use is it put?

Mr. WHITMAN. I don't believe I am competent to talk about the beverage-distilling practices, but I am quite sure that the marketing of more than 100-proof whisky would not be regarded as sound practice. It isn't done.

Senator MURDOCK. I know, but the marketing of much lower than 100-proof whisky seems to be a very common custom today, and it is very seldom now that you can get anything but a low-proof whisky.

Mr. WHITMAN. I think this is getting into a field on which I am not competent.

Senator MURDOCK. I have not been able to find a witness to date who is competent, whether he comes from the industry or from O. P. A.

Mr. WHITMAN. We are interested in industrial alcohol, sir. It is not within our field.

Senator MURDOCK. I think it might be well for the War Production Board to look into that question and find where the alcohol that is saved goes.

Senator FERGUSON. It goes into more whisky.

Senator MURDOCK. That is what I would like to know.

Mr. NELSON. I am not competent on this either, but I think it is perfectly evident that it would. The lower the proof, the further it would go.

Senator MURDOCK. And the greater saving of alcohol and I think it is material that this committee should know where it goes. If you people can't give us the figures, maybe we can get it from some other source.

The CHAIRMAN. We will try. We have not been very successful in getting anything as yet.

Senator FERGUSON. Has there been any change in the claimant agencies' powers since last August to date? The War Food Administration make the same claim now as they did in August to get alcohol for essential civilian needs?

Mr. NELSON. That is right, sir.

Senator FERGUSON. Do I understand, when these telegrams were prepared last autumn giving a holiday, that the War Food Administration had requested alcohol for beverage purposes?

Mr. NELSON. No, sir.

Senator FERGUSON. Then how does it come that W. P. B. acted, on its own initiative—

Mr. NELSON. To release the facilities only.

Senator FERGUSON. It was not to make alcohol for beverage purposes?

Mr. NELSON. Merely to release the facilities.

Senator FERGUSON. For what period of time?

Mr. NELSON. We figured on the basis of our requirements at that time, in August, before the big rubber program came in. We figured that, in view of the stock pile and the production, we could release the facilities for approximately 10 days.

Senator FERGUSON. Is it a fact that these telegrams were not sent out because you found you couldn't release the facilities, or was it because the War Food Administration came in and said, "We do not want any facilities used to make alcohol for beverage purposes?"

Mr. NELSON. No, sir.

Senator FERGUSON. What was the case?

Mr. NELSON. The case at that time was, the Rubber Director came in with a much bigger claim for alcohol. His plants began coming in so that they could be run at greater capacity, and knowing the great need for rubber he made a larger request for alcohol.

Senator FERGUSON. So the only cause was that there were no facilities?

Mr. NELSON. At that particular time, so far as we were concerned.

Senator FERGUSON. On these civilian needs at the present time, you stated you have not filled all of them.

Mr. NELSON. We have not filled all of the wants.

Senator FERGUSON. Have you in any cases filled more than the wants?

Mr. NELSON. Not that I know of, sir.

Senator FERGUSON. On lend-lease is it a military secret as to what countries you are furnishing alcohol to?

Mr. NELSON. I wouldn't so consider that. We are not competent to tell you that. Lend-Lease makes the claim in total from us.

Senator FERGUSON. Do you know to what countries it goes?

Mr. NELSON. We know, but I prefer for you to get the figures from Lend-Lease.

Senator FERGUSON. Are there any South American countries getting alcohol for lend-lease purposes?

Mr. NELSON. I don't know of any.

Senator FERGUSON. Mr. Whitman, do you know of any?

Mr. NELSON. As a matter of fact, the only country I know of is Russia.

Senator FERGUSON. Do you know whether or not we color all of our alcohol here that is made?

Mr. WHITMAN. No, sir; we don't color any industrial alcohol.

Senator FERGUSON. Any alcohol that could be used for beverage purposes, is it now colored?

Mr. WHITMAN. The Defense Supplies alcohol, which is purchased from the distillers, is handled as pure 190-proof alcohol. It is denatured, I believe, at the particular arsenals and butadiene plants just before use.

Senator FERGUSON. Do you know whether it is colored?

Mr. WHITMAN. I don't think that they color it at all.

Senator FERGUSON. Then there could be—

Mr. WHITMAN. Denaturing does not necessarily involve coloring it.

Senator FERGUSON. Could there then be any diversion?

Mr. WHITMAN. Not legally.

Senator FERGUSON. I am not talking about legally. If it is not colored there could be diversion?

Mr. WHITMAN. Illegal diversion. There is always a possibility.

Senator FERGUSON. I understand at one time that our alcohol in America was all colored so there could not be a diversion, and all that sent to lend-lease was on direct orders not colored, so it was possible to have a diversion of lend-lease alcohol.

Mr. WHITMAN. I think your understanding is correct, sir; that the alcohol sent on lend-lease is not denatured.

Senator FERGUSON. So it is of a quality that can be used for beverage purposes?

Mr. WHITMAN. I should say so.

Senator FERGUSON. But all of our alcohol is denatured so it cannot be used for beverage purposes?

Mr. WHITMAN. Under the law we must do that.

Senator FERGUSON. Yes.

Mr. WHITMAN. I think practically all the alcohol going to the butadiene plants is not denatured until it reaches the butadiene plants and is ready for use.

Mr. NELSON. That is my understanding.

Senator FERGUSON. Do you know of any reason why lend-lease alcohol is not denatured so it can't be used for beverage purposes?

Mr. NELSON. The primary use of alcohol by Russia is to make synthetic rubber over there. They use a different process from ours. As a matter of fact, they use several different processes, and how the denaturing would affect that I wouldn't be able to say.

But I have been told—naturally we would inquire into a thing like this—by the chemists in Russia that this goes directly to synthetic rubber in their various plants to substitute for grain.

They would have to make the alcohol from grain to substitute for their processes.

Mr. SOURWINE. Are you aware, Mr. Nelson, that the F. E. A. says that the alcohol furnished to the Soviet Union is to be used in the manufacture of explosives and other munitions of war?

Mr. NELSON. I suppose synthetic rubber tires are munitions of war.

Senator FERGUSON. Mr. Nelson, did you discover, when you were in Russia, any shortage of vodka or alcoholic beverages? I mean such as we have in this country?

Mr. NELSON. Vodka was not generally distributed in Russia. They were making locally a low-grade vodka from potato peelings and potato culls, and things of that sort.

Senator FERGUSON. Was it rationed?

Mr. NELSON. As I understand, it was very severely rationed.

Senator FERGUSON. And they had a scarcity of alcoholic beverages there equal to what we have here?

Mr. NELSON. Much greater than that.

Mr. SOURWINE. Dr. Whitman, you testified at considerable length before the Gillette subcommittee concerning lend-lease shipments; did you not?

Mr. WHITMAN. I don't recall whether it was at considerable length. I have made some comments on it.

Mr. SOURWINE. Do you have any thought that refusal here to discuss some matters which you discussed before the Gillette committee will wipe them out of the record or render them more confidential than they were before?

Mr. WHITMAN. No.

Mr. SOURWINE. So we may proceed, if we don't overstep the bounds of the subject matter you discussed there, to discuss lend-lease?

Mr. WHITMAN. If you want to duplicate that discussion.

Mr. SOURWINE. I do not have in mind exactly duplication, sir. All of the alcohol shipped lend-lease is ethyl alcohol, as Senator Ferguson has brought out?

Mr. WHITMAN. Yes, sir. At times we have shipped methyl alcohol, but what we have always been talking about is shipping ethyl alcohol lend-lease.

Mr. SOURWINE. Do you know whether any of the alcohol which has been shipped lend-lease during the first quarter of this year has gone to Great Britain?

Mr. WHITMAN. I believe none has, sir.

Mr. SOURWINE. Do you know whether any of it went elsewhere in the United Kingdom?

Mr. WHITMAN. I think not.

Mr. SOURWINE. I suppose that the present desire to hold lend-lease figures confidential would prohibit your answering a question concerning lend-lease requirements for the last 9 months of this year?

Mr. WHITMAN. That is correct. The committee already has that information confidentially.

Mr. SOURWINE. I don't want to refer to that confidential document. To do so might impose restrictions on figures already made public.

On April 15 your estimate of lend-lease requirements was 48.9 million gallons for 1944. Is that right, sir?

Mr. WHITMAN. I can't remember all these figures. If that is what we have put out, that is correct.

Mr. SOURWINE. I have been trying to preserve the usual formalities in asking the questions. If it is entirely agreeable with you, I will use those figures as I have them here, and if I am mistaken, you stop me.

Mr. WHITMAN. Then I will have to stop you every time you make a mistake if I am to accept the responsibility for the figures. Why don't we accept the fact that if counsel makes a mistake in the figures and if it is later proved that it is incorrect, we can correct it?

Mr. SOURWINE. That challenge is perfectly proper. I will put a footnote in the record in that event.

Senator FERGUSON. It is understood, however, if you do see a flagrant mistake you will correct it at the present time.

Mr. WHITMAN. Yes, sir.

Mr. SOURWINE. Do you recall the statement that lend-lease requirements amounted to approximately 8 percent of the total estimated supply?

Mr. WHITMAN. I think that figure is correct.

Mr. SOURWINE. Can you tell us whether lend-lease requirements are controlled by that percentage figure?

Mr. WHITMAN. No, sir.

Mr. SOURWINE. How are lend-lease requirements fixed?

Mr. WHITMAN. Mr. Nelson, I believe, has explained how they were fixed.

Mr. NELSON. F. E. A. is a claimant agency.

Mr. SOURWINE. And they get what they ask for?

Mr. NELSON. Not necessarily, sir. We always take those requirements, as I said yesterday, where the supply is much less than the requirements, and then a division is made among all the claimants.

Mr. SOURWINE. And it is based upon that type of requirement and consideration of it and does not bear any direct relationship to the percentage figure?

Mr. NELSON. That is right.

Mr. SOURWINE. The percentage figure comes out at the end of the hopper?

Mr. NELSON. The Russian lend-lease has been fixed by protocol as between Marshal Stalin and the President.

Mr. SOURWINE. And we are not under that protocol required to furnish a fixed percentage of our supply or production?

Mr. NELSON. No, sir.

Mr. SOURWINE. Can you tell us how much alcohol Russia got under lend-lease in 1943?

Mr. WHITMAN. I can't at the moment.

Mr. SOURWINE. Isn't that figure 36,000,000 gallons?

Mr. WHITMAN. It may be.

Mr. NELSON. Thirty million is the figure in my mind.

Mr. SOURWINE. And as late as April 15 it is estimated that the amount furnished to Russia this year would be 48.9 million gallons.

Mr. WHITMAN. Yes.

Mr. SOURWINE. Can you explain the reason for that increase, sir?

Mr. NELSON. As far as I know, it is an increase in their needs for alcohol for synthetic rubber. That replaces grain and other food.

Mr. SOURWINE. Your estimates for lend-lease requirements have been bounced around a bit. In October of last year you estimated lend-lease requirements as approximately 64,000,000 gallons. On December 1 you revised that estimate down to 46.6 million gallons.

Do you know if that reflected a withdrawal of some previous claim by F. E. A.?

Mr. WHITMAN. I should say, sir, that estimates had to be made for the last half of 1944, since no protocol agreement had been consummated at that time. We were, therefore, required ourselves to make estimates of what the subsequent protocol, running from July 1, 1944, to June 30, 1945, might be.

Mr. SOURWINE. Did you base those estimates on this 8 percent percentage figure?

Mr. WHITMAN. No.

Mr. SOURWINE. You had the estimate of 46.6 million gallons on December 1, and then you revised your estimate upward to 59,000,000 gallons. Why did it go up?

Mr. WHITMAN. It went up after informal discussion with the people who were contacting F. E. A. as to what the best guess would be at this time on how much would be required.

Mr. SOURWINE. Your estimate on production had gone up at the same time. There was no effort to revise lend-lease up or down as production estimates went up or down, to keep it at approximately 8 percent?

Mr. WHITMAN. No, sir. As a matter of fact, 8 percent is just a figure which comes out of the mill when you have put them all together.

Mr. SOURWINE. In March you revised your lend-lease figure downward again to approximately 56,000,000 gallons. Was that a result of some more discussions with the contact people and F. E. A.?

Mr. WHITMAN. Yes.

Mr. SOURWINE. Your estimate of requirements announced on April 15 was down again, to 49,000,000, a drop of about 6,000,000 gallons. Why was that revision made?

Mr. WHITMAN. For the same reason.

Mr. SOURWINE. You still have no protocol to govern shipments which will be made during the last half of the year?

Mr. WHITMAN. That is correct. As far as I am aware, the protocol has not been consummated.

Mr. NELSON. But the protocol request is in and we are surveying it now.

Mr. SOURWINE. Can you say that lend-lease requirements will not be further reduced this year?

Mr. WHITMAN. No, sir.

Mr. SOURWINE. For all you know, they may be?

Mr. WHITMAN. And they may be increased.

Mr. SOURWINE. And it is your understanding that we are not committed to furnish the Soviet Union with 8 percent or any other percentage?

Mr. NELSON. I know of no such commitment.

Mr. SOURWINE. We are now committed to furnish a specific amount in gallons or tons?

Mr. NELSON. That is right, sir. It is usually figured in tons.

Mr. SOURWINE. I have here a statement furnished by Mr. Oscar Cox, general counsel of F. E. A., and a table of lend-lease contracts and shipments, furnished by the Contract and Purchase Branch, Procurement Division, and a number of little charts all on one sheet, furnished by Mr. Cox of the F. E. A.¹

I am going to ask that these be inserted in the record at this point, and then I would like to discuss them a little.

¹ For comparison on lend-lease figures, see letter from Mr. Leo Crowley in appendix, at p. 856.

The CHAIRMAN. We can't put these graphs in the record very well, not even in the printed record. They may be inserted as far as possible; it will be up to the Printing Office.

Mr. SOURWINE. There is an almost inexhaustible supply at F. E. A. There are a few copies of these charts still available for the press if they want them.

(The documents are as follows:)

INDUSTRIAL ALCOHOL FOR LEND-LEASE

(Statement furnished by Mr. Oscar Cox, general counsel, Foreign Economic Administration)

First quarter exports.—In the first 3 months of this year we exported under lend-lease a total of 39,782 short tons of ethyl alcohol. This was equivalent to 8 percent of our total supply of alcohol in that period.

Of the total shipments, 29,760 short tons were sent directly to the Soviet Union. The remainder was shipped to the United Kingdom as the result of a transfer agreement whereby the United States agreed to replenish the amount which the United Kingdom transferred to the Soviet Union. The quantity thus transferred is credited to our commitment provided for in the Third Russian Protocol.

Requirements for year 1944.—Foreign Economic Administration requirements for alcohol for the calendar year 1944 are estimated at 55,900,000 gallons. This is equivalent to about 8 percent of our total estimated supply for the year. Approximately 50,000,000 gallons will be furnished to the United Soviet Socialist Republics to be used in the manufacture of explosives and other munitions of war. The remainder, somewhat more than 5,000,000 gallons, has been included in the estimate of requirements as a contingency reserve.

No alcohol will be supplied to the United Kingdom according to the present program. The United States has agreed to supply sufficient Cuban and West Indian molasses to the British for their production of alcohol for subsequent conversion to acetone. Under the program, the British are to receive 103,850 tons of molasses from the 800,000 tons which the United States will receive from Cuba and the West Indies. Most of the acetone produced in the United Kingdom is used in the manufacture of explosives. A smaller part of it is made into rayon, produced primarily for parachutes and tire cord.

Report of ethyl alcohol contracted or exported during first quarter, 1944, for lend-lease purposes

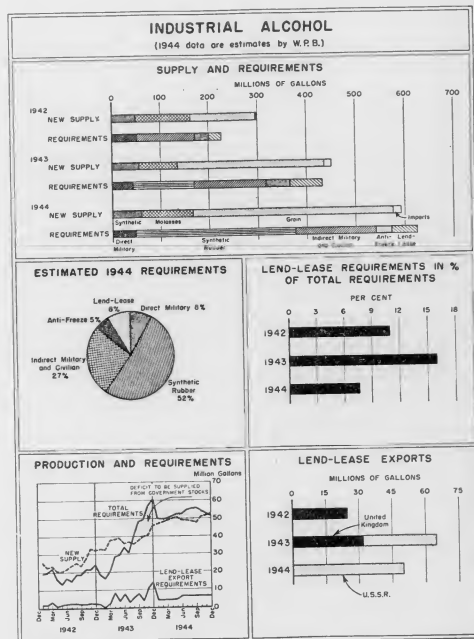
(Furnished by J. W. Flatley, Contract and Purchase Branch, Procurement Division)

Contract No.	Quantity (gallons)	Amount shipped	Balance due
DA-TPS-38256.....	1,323,534		
51198.....	3,294,000	2,750,983	543,017
52049.....	5,000,000	2,445,728	2,554,272
52049.....	2,800,000		2,800,000
Total.....	9,004,000	5,197,711	3,806,289

¹ Balance of 10,919,466 gallons contracted for, shipped prior to first quarter.

Mr. SOURWINE. I want to direct attention to this little box which is headed "Estimated 1944 requirements." It is the usual pie type of chart. That is, it is a circle with radii from the center to the circumference, attempting to block off the amounts that will be used for each of the classifications which come under requirements.

Mr. NELSON. In view of the request of the military for us not to give the requirements, this chart does give them. It does give the direct military requirements on this chart.



Mr. SOURWINE. However, the chart is a little older than the April 15 date on which you were giving them, so it doesn't violate the new rule for holding them in confidence.

These charts were furnished by F. E. A. without any restrictions whatever, and they are for public distribution.

Mr. NELSON. I merely wanted to fulfill our obligation.

Mr. SOURWINE. Whom did that request come from?

Mr. WHITMAN. From Colonel Sterling, of the Army, who is in charge of the Army group in Service of Supplies, that is closely in contact with us and actually works in the same building that we occupy.

Mr. SOURWINE. Since I am not talking about the future but about the past, and this is a matter of public knowledge—

Mr. NELSON. It is the future, of course; it is an estimate of 1944 requirements.

Mr. SOURWINE. This chart shows lend-lease, 8 percent; and direct military, 8 percent. The Foreign Economic Administration tells us that the data for the chart are based on estimates by the War Production Board.

Mr. NELSON. At what date were these estimates made?

Mr. SOURWINE. I don't know and I was hoping we could find out about that.

Mr. WHITMAN. I have never seen this chart and it has not been discussed with me.

Mr. SOURWINE. Eight percent equals 8 percent. On the basis of this chart, lend-lease and direct military uses are identical.

On this table previously introduced for the record, showing the W. P. B. estimates as of a number of different dates, I do not as of any date find the estimates for lend-lease and for direct military use identical.

In October 1943 the estimate for direct military use was 48 million, and for lend-lease 64 million.

Mr. NELSON. We have no responsibility for the chart. We can't explain a thing about the chart.

Mr. SOURWINE. Please, sir, I am not holding you responsible for the chart at all. I am merely trying to establish, as far as the W. P. B. is concerned, as its estimates show, that requirements for lend-lease and direct military uses have never been identical, and, if you will concede that point now, we don't need to go further in the discussion.

Mr. NELSON. Very well.

From your standpoint the chart is in error on that point at least. Is that correct?

Mr. WHITMAN. We have made probably 18 or 20 different estimates of supplies and requirements. Without knowing on which one of them this was keyed, I wouldn't even want to say that there wasn't some one of the 18 on which direct military and lend-lease estimates were the same. I have no comment.

Senator FERGUSON. Why would this be distributed for public consumption if it doesn't key into the general situation?

Mr. NELSON. I haven't the slightest idea. We didn't make the chart. It is no child of ours.

Senator FERGUSON. But they are a claimant agency.

Mr. NELSON. They are a claimant agency for lend-lease.

Senator FERGUSON. Have you ever seen this chart, Mr. Whitman?

Mr. WHITMAN. Not until just now.

Senator FERGUSON. Do you know that this chart, if taken with the figures, will show a great inaccuracy and would show discrepancies upward of 20,000,000 gallons?

Mr. WHITMAN. I have not studied the chart and I prefer not to comment on it.

Mr. NELSON. There is no date on it.

Senator FERGUSON. It is for industrial alcohol and carries the note that 1944 data are estimates by W. P. B.

Mr. WHITMAN. We started to estimate in February 1943 on what the 1944 needs would be.

Mr. SOURWINE. Shall we assume that as of some particular date this chart may have been computed to the W. P. B. estimate?

Mr. NELSON. It may have.

Mr. SOURWINE. Let's work on that assumption. If that were true, since that time the picture has changed.

This chart shows requirements for the rubber program at 52 percent. As of April 15 your estimate of rubber requirements amounted to 58 percent of the total requirements, which was up about 6 percent.

This chart shows direct military needs as 8 percent. Your April 15 estimate showed direct military needs as 3.9 percent. In other words, almost all of the increased requirements for synthetic rubber were squeezed out of the requirements for direct military use.

The requirements on this chart for—

Mr. NELSON. Will you repeat that, please?

Mr. WHITMAN. That is entirely erroneous.

Mr. SOURWINE. Requirements for rubber went up from 52 percent of the total to 58 percent of the total, up 6 percent. Requirements for direct military went from 8 percent to 3.9 percent.

Mr. WHITMAN. And I believe you said that the rubber requirements were squeezed out of the direct military, and there is no justification for such a statement.

Mr. SOURWINE. There was reported increase in rubber requirements of about 6 percent. Direct military requirements were reduced more than 4 percent.

Lend-lease was reduced two-tenths of 1 percent, and antifreeze was not reduced at all. Indirect military and civilian requirements were reduced 1.7 percent, and, in addition to the direct relationship between those figures, the cut in direct military which was 4 percent, reduced that item by more than half, whereas the cut in indirect military and civilian requirements was less than 4 percent of that item. I made the statement on that basis that the rubber requirements were squeezed out of the direct military.

Mr. NELSON. We object to the term "squeezed." It is not done that way. It gives an improper import when you say "squeezed out."

Mr. SOURWINE. What would you call it?

The CHAIRMAN. Say "wring out," using a wringer on it.

Mr. NELSON. That would be very improper, sir, and I think it gives the wrong implication. If you question our veracity I am sorry, but we are trying to tell you how they are arrived at.

The CHAIRMAN. I have not heard anybody question your veracity, Mr. Nelson.

Mr. NELSON. When you say "squeezed out" and "wring out." I never saw this chart before. I don't know what it is, and you are making deductions from something that I have no connection with.

The CHAIRMAN. I take it that nothing comes out of the War Production Board without your authority.

Mr. NELSON. That is not from the War Production Board.

The CHAIRMAN. It says so on the face of it.

Mr. SOURWINE. I thought the chart was a graphic presentation that would make it clearer.

The CHAIRMAN. On the face of the chart it says "1944 data are estimates by W. P. B."

Mr. NELSON. It has no date and we have never seen it before.

Mr. SOURWINE. It comes out of the Foreign Economic Administration. The W. P. B. has a perfect right to challenge the accuracy of an F. E. A. publication.

Mr. WHITMAN. We are not challenging the accuracy.

Mr. SOURWINE. Let's leave the F. E. A. chart and go to your figures. On December 1, 1943, your estimate for direct military needs was 60,000,000 gallons. Four months later your estimate was 24.6 million gallons. There was there a reduction of some 35,000,000 gallons.

Your lend-lease estimates for the two dates were respectively 46.6 million gallons and 48.9 million gallons, up about 2.3 million gallons.

Your estimates for synthetic rubber requirements were up very sharply from 311,000,000 to 365,000,000 gallons.

Your estimates for indirect military and civilian uses were down only 5,000,000, from 165,000,000 to 160,000,000 gallons.

So without using the word "squeeze" or the word "wring," it might be restated that most of the increase in requirements for the rubber program were represented by decreases in estimated requirements for direct military use.

Mr. WHITMAN. No, sir. They were not represented by decreases.

Mr. SOURWINE. They were concurrent with such decreases, then.

Mr. WHITMAN. You may say they counterbalanced to a certain extent decreases that occurred each year, but they are determined independently of each other.

Mr. NELSON. They are definitely determined independently.

Mr. SOURWINE. There was definitely no attempt to maintain the allocations for indirect military and civilian use as nearly as possible at that 165,000,000-gallon figure?

Mr. WHITMAN. I don't know what you mean there, sir. Perhaps I might—

Mr. SOURWINE. There is no point in answering the question if you don't understand the question. Let me—

Mr. WHITMAN. May I say what I have in mind, sir?

Mr. SOURWINE. Surely.

Mr. WHITMAN. We are engaged in allocating alcohol to indirect military and civilian uses. We have in mind at the present time that the essential uses can be met within a consumption of about 160,000,000 gallons per year. At one time we thought it would be 165,000,000.

We are following the data on consumption very closely to see whether our estimate is correct, whether we will have to give a little more or whether we can shade it and give a little less, and recently we have changed our estimate from 165,000,000 to 160,000,000 because observation on usage and the way we are operating made us feel we could curtail it to 160,000,000 gallons and meet the essential usage.

Mr. SOURWINE. How much was used during 1943 in that category, in indirect military and civilian use? The figure I have is 147.9 million gallons.

Mr. WHITMAN. 148,000,000 gallons.

Senator Ferguson. As I understand, that does not include the rubber program.

Mr. WHITMAN. It does not. We have kept the rubber program separate because it is such a large single item and it is of use to us to see how the demand is varying.

Senator FERGUSON. What do you classify under "indirect"? You have military, lend-lease, antifreeze, and synthetic rubber all specified. What do you put under "indirect military and civilian needs"?

Mr. WHITMAN. A vast mass of uses of alcohol.

Senator FERGUSON. But how direct are they to the military?

Mr. WHITMAN. Some of them are very direct.

Senator FERGUSON. Name one of them.

Mr. WHITMAN. Lead tetraethyl.

Senator FERGUSON. What is it used for?

Mr. WHITMAN. To make 100-octane aviation gasoline.

Senator FERGUSON. Is our entire aid to aviation gas in this 27 percent, or 146,000,000?

Mr. WHITMAN. Yes; that was one of the elements. As I remember—

Senator FERGUSON. How much alcohol is used in our aviation gasoline program?

Mr. WHITMAN. I will first have to give you the lead tetraethyl total. The figure is roughly about 20,000,000 gallons of alcohol a year, perhaps a little higher, that goes into the manufacture of tetraethyl lead.

Mr. NELSON. I have all the figures here. I would like to give them and give you the uses.

Senator FERGUSON. I think the public would like to have the uses.

Mr. NELSON. We have them here as percentages.

Mr. SOURWINE. Percentages based on actual use or based on a tentative allocation?

Mr. NELSON. This is based on a tentative allocation for indirect military and essential civilian usage. When I read these to you you will see they vary all over the map.

Mr. SOURWINE. That is the table that was inserted in the record during the Gillette investigation?

Senator FERGUSON. It gives the names?

Mr. NELSON. It gives the names.

Protective coatings: Ethyl acetate, nitrocellulose, shellac, butyl acetate, other ethyl esters, nitrocellulose (dehydration), butyl alcohol, miscellaneous solvent uses, isopropyl acetate, amyl acetate, and metallic acetates—24.4 percent.

Those are the protective coatings. Most of those today go into protective coatings of military items.

Plastics: Practically all of these go into military requirements—synthetic plastics and resins, cellulose acetate and butyrate plastics, vinyl acetate, diethyl phthalate plasticizers, nitrocellulose (dehydration), other ethyl esters, miscellaneous plasticizers, propionate plastics—12.8 percent.

In textiles we have acetate rayon, military protective clothing, textile processing, dyes and intermediates, hydrosulfites, miscellaneous. That is 12.6 percent.

Tetraethyl lead, about which we are talking here now: Ethyl chloride, ethylene dibromide—11 percent.

That goes directly into the military program. Some has been used in civilian, but that has been cut down greatly.

Public health: Drugs and pharmaceuticals, basic medicinal chemicals, military protective salves, ether, sulfa drugs, aspirin, atabrine, other pharmaceuticals, rubbing alcohol (prescription only), and biologicals. That total is 7.5 percent.

Food: Vinegar, flavoring extracts, mold preservative, foods products, miscellaneous, and candy glazes—4.6 percent.

Explosives: Ether, explosives, fulminate of mercury—

Senator FERGUSON. In explosives?

Mr. NELSON. These are nonmilitary. That total is 3.6 percent. It includes pentaerythritol dibutyl phthalate and miscellaneous.

Small orders certified by consumers as coming within quotas authorized by War Production Board, 4.5 percent.

Small orders exempt from use limitation, 2 percent—a lot of small orders that we don't attempt to control.

Toiletries, cosmetics, oral antiseptics, mouth washes, tooth cleaners, cleaning and polishing preparations, 2 percent.

Senator FERGUSON. That is 2 percent of the—

Mr. NELSON. Two percent of the civilian and indirect military.

Now, all other uses, including butadiene pilot plant, denaturants, adhesives, ore flotation, inks, brake fluids, cutting oils, photographic materials, and so forth, 14.2 percent.

That is your break-down.

In those you will find there may be some question about the 2 percent used for toiletries, mouth washes, cosmetics, and so forth. Of those I would say the vast majority are for direct military use of some kind or another.

The CHAIRMAN. Direct military use?

Mr. NELSON. Yes. I think our original classification was very unfortunate when we did not put it in direct military; it was because the figures came in that way.

The figures for direct military came in directly from the military. All of these items are used by the military. Certainly a great many of the public-health items are going direct to the military. Of course, many textiles are going to the military. Practically all of the plastics and protective coatings and certainly a large part of the tetraethyl lead are going to the military.

I am glad to have this opportunity to explain just what this indirect military is going to.

The CHAIRMAN. We are getting a copy of it for the record?

Mr. NELSON. Yes, sir.

Mr. SOURWINE. Have you revised that recently?

Mr. NELSON. It is constantly being revised.

Mr. SOURWINE. On the basis of actual uses?

Mr. NELSON. On the basis of actual uses.

Mr. SOURWINE. It is not by any means a controlling chart? You don't take the total estimated requirements and supply and say a certain percentage must go to this use?

Mr. NELSON. We cannot.

Mr. SOURWINE. When the requirements go up or down, it indicates some way and somewhere one of those percentages is thrown out of kilter?

Mr. WHITMAN. Might I object to the implication that some one of these is thrown out of kilter if some other change occurs, because one reason we have for having a stock of alcohol is so that essential needs will not be thrown out of kilter by a change of something else.

Mr. SOURWINE. We are quibbling, Mr. Whitman, and I didn't intend to. Let me rephrase that, sir, so we will be in entire agreement on it.

Since these are figures based on approximations, and since they do not control actual use, it must stand to reason if the total of the estimated requirements goes up or down it reflects an actual change in the percentage requirements in one or more of these factors.

Mr. NELSON. No, because we have the stock-pile elasticity.

Mr. SOURWINE. I am talking about requirements.

Mr. NELSON. It may change the requirements.

Mr. SOURWINE. If the requirements for one of those particular items are changed, it no longer equals, if it ever did, the exact percentage figure you have there.

Mr. WHITMAN. That is right; sir.

Mr. NELSON. That is right; sir.

Mr. SOURWINE. Then it is no longer accurate as a representation of the amount going to that particular use?

Mr. NELSON. And it varies all the time. It is in a constant state of flux.

The CHAIRMAN. I would like to go back. I dwell on Mr. Nelson's words "direct military," as applied to all of those items that he read into the record. I suppose you can again check me on this chart here by saying you disown the offspring but the indirect military is 27 percent and the direct military is 8 percent and the items you read were not in the 8 percent.

Mr. NELSON. That is right, but I say those go directly to the military and to no other place.

The CHAIRMAN. They don't come under indirect military 27 percent?

Mr. NELSON. Yes, sir. I read you the break-down as of this date.

The CHAIRMAN. I may have misunderstood you. You said "direct military" and I repeated the word "direct," and you said "Yes."

Mr. NELSON. That is right, and I stated that the use of the word "direct" is not an accurate use of the word. It is a designation of the place from which we get the claim for alcohol. These are as much direct military requirements as the other.

Senator FERGUSON. So that this record may be correct and explain the whole matter, the Army makes no claim for alcohol beverages for the Army?

Mr. NELSON. That is correct; yes.

Senator FERGUSON. So, any alcoholic beverage used by the Army—

The CHAIRMAN. Is that answer correct, Mr. Nelson?

Mr. NELSON. As far as I know.

Mr. WHITMAN. There is a slight amount for medical use.

Senator FERGUSON. How much alcohol is under direct military required for medical purposes as classified by the Army?

What is that requirement from the Army?

Mr. WHITMAN. I don't know the Army requirement. I am not sure there is an Army requirement. There has been a Navy statement which is so negligible that you can hardly see it.

Senator FERGUSON. There is one from the Navy?

Mr. WHITMAN. Very slight medical requirement, yes.

Senator FERGUSON. Do you give the full requirement, or do you quote it under these figures?

Mr. WHITMAN. We don't include it in our estimates because this deals with industrial alcohol.

Senator FERGUSON. But you have health and cosmetics and various drugs.

Mr. WHITMAN. For which industrial alcohol is used as one of the ingredients.

Senator FERGUSON. But you don't allow the ethyl to go into that?

Mr. WHITMAN. They buy it out of stock.

Senator FERGUSON. But no beverage alcohol for the Army, Navy, or other services is in this 8 percent?

Mr. WHITMAN. That is correct.

Mr. SOURWINE. Mr. Chairman, there has been some discussion concerning these percentage figures. I think there is a reasonable doubt concerning the value of those percentage figures to the committee's investigation, and I should like to ask Mr. Nelson, since he says these figures are constantly revised on the basis of actual use, if he can furnish the committee specific gallon figures for each of those uses for 1943.

Mr. NELSON. Approximately, sir.

Mr. SOURWINE. Can you give them accurately for each figure within 5 percent?

Mr. WHITMAN. No, sir.

Mr. NELSON. No, sir.

Mr. SOURWINE. Within 10 percent?

Mr. WHITMAN. Possibly, yes.

Mr. SOURWINE. Can you do it definitely within 20 percent?

Mr. WHITMAN. I can't do it positively within any percent.

Mr. SOURWINE. You can't do it positively within 50 percent?

Mr. WHITMAN. I wouldn't want to guarantee it.

Mr. SOURWINE. Can you give us the chart and indicate on it those figures which in your judgment are in error in excess of 10 percent?

Mr. NELSON. We will do that.

Senator FERGUSON. If it doesn't come within 50 percent, I know of no value to the committee.

Mr. WHITMAN. Our actual allocation started in the fourth quarter of 1943, so that we cannot, as technically honest and reliable people, swear as to the percentage error that might exist in our estimates on some of these items for the whole year 1943.

I am perhaps going back to my technical background and trying to tell the absolute truth.

Mr. SOURWINE. Would it be easier to give it to us for the 12 months' period beginning April 1, 1943?

Mr. NELSON. We will find a period where we can do it, a period that will be indicative to the committee of what you want.

Mr. SOURWINE. In a gallonage figure?

Mr. NELSON. Yes.¹

Mr. SOURWINE. Now, if I may go back to lend-lease, the statement furnished by F. E. A. quotes exports during the first quarter of this year in figures of short tons. I don't know why.

Do you know, Dr. Whitman, what a short ton of alcohol is the equivalent of in terms of gallons?

Mr. WHITMAN. I think, figured at 6.8 pounds to the gallon, a short ton should be roughly 294 or 295 gallons—295 gallons, let us say.

Mr. SOURWINE. Or, very roughly, 300 gallons in a short ton.

Mr. WHITMAN. Yes.

Mr. SOURWINE. The figure which they give as exported under lend-lease is a total of 39,782 short tons.

From your slide rule, Doctor, that would be how many gallons?

Mr. WHITMAN. It looks like 11,500,000.

Mr. SOURWINE. About 11,500,000 gallons?

Mr. WHITMAN. Yes.

Mr. SOURWINE. This other report, and these have been placed in the record, Mr. Chairman, from the Procurement Division of the Treasury, shows the gallonage contracted for lend-lease, the amount shipped and the balance due under the contract, and it shows contracts for the first quarter of this year as 9,094,000 gallons. It shows the amount shipped as 5,197,711 gallons.

The CHAIRMAN. In what period?

Mr. SOURWINE. During the first quarter of 1944. It shows the balance due under that contract as 3,896,289 gallons. It shows an additional amount shipped under a prior contract, the remainder of which was shipped prior to this calendar year; an amount shipped out of that contract and during this calendar year of 3,323,000 gallons.

Even adding that figure to the amount shipped under this year's contracts, you have a figure of only slightly more than 9,000,000 gallons. Would you say, Dr. Whitman, that your slide rule is wrong or that the F. E. A. figures fail to jibe with the figures from the Procurement Division?

Mr. WHITMAN. The latter.

Mr. SOURWINE. Thank you, sir.

The CHAIRMAN. You still stand by the slide rule.

Mr. SOURWINE. Now, this F. E. A. statement says that F. E. A. requirements for alcohol for the calendar year 1944 are estimated at 55,900,000 gallons. That statement was furnished to me within the week by Mr. Oscar Cox. The W. P. B. estimate on lend-lease requirements, which was made public on April 13, 1944, was 48.9 million gallons, or a good deal more than 5,000,000 gallons—in fact, it is slightly more than 6,000,000 gallons under what the F. E. A. states as its requirements.

Have you any knowledge as to why those figures do not jibe?

Mr. WHITMAN. I think the protocol has not yet been signed.

Mr. SOURWINE. Who should know most about the protocol, F. E. A. or the War Production Board?

Mr. WHITMAN. F. E. A. should know more about it.

Mr. NELSON. If they are not, however, on exactly the same date they would not coincide.

¹ Dr. Whitman subsequently submitted a chart which appears in the appendix at p. 835.

Mr. SOURWINE. In other words, this estimate was probably made prior to March 23 at which time your own estimate was exactly the same, 55.9 million gallons.

Mr. NELSON. We have to get the exact dates as to these estimates.

Mr. SOURWINE. Since March 23, facts have come to your knowledge which led you to reduce that estimate by 6,000,000?

Mr. NELSON. Undoubtedly.

Mr. SOURWINE. Can you tell us what those facts were?

Mr. NELSON. Mainly consultation with our liaison with F. E. A., which indicated that the requirement would not be so high.

Mr. SOURWINE. And yet only a few days ago Mr. Cox gives me this statement showing the March 23 estimate was valid in his opinion. Of course, you are not bound by Mr. Cox's opinion.

If the estimate was based on conference with the F. E. A., have you any explanation as to why their figure has not been reduced?

Mr. NELSON. The Russians are now on the basis of shipping what is more valuable to them at the time, and often we try to project what they are going to take. We have to do that on thousands of items that the Russians are taking. It may be that F. E. A. has allowed a certain amount of steel. We try to get the information from the Russians as to what they are going to ship in a 2 months' period, and readjust our figures on what we determine they are actually going to ship.

Mr. SOURWINE. Leaving steel aside for the moment, is it true that these lend-lease allocations, if that term is not incorrect, that is, alcohol supplied under a lend-lease contract, are shipped to a lend-lease terminal and there await the pleasure of the Russians in sending a ship?

Mr. NELSON. Sometimes.

Mr. SOURWINE. And sometimes it waits quite a while?

Mr. NELSON. And we attempt, by working with them, always to know what is at the terminal so that we can make adjustments.

Mr. SOURWINE. It is not an attempt to predetermine available shipping? It goes to the terminal and waits until the shipping comes for it?

Mr. NELSON. Before we attempt to project what they are going to take out.

Mr. SOURWINE. We are going to discuss the question whether or not any lend-lease alcohol had been shipped to Great Britain this year, and I believe it was stated none had been shipped.

Mr. NELSON. We said that we did not have the direct information as to where it goes, always. It was our information it was all going to Russia. They make a claim to us, and they may switch the allocation between contracts. I think I made that very clear.

Mr. SOURWINE. You do have frequent discussions with F. E. A. on this subject?

Mr. NELSON. Very definitely.

Mr. SOURWINE. And information at their disposal, of course, is at your disposal?

Mr. NELSON. Oh, yes.

Mr. SOURWINE. This statement from Mr. Cox says that of the total shipments during the first quarter of the year, which were 39,782 short tons, 29,760 short tons were sent directly to the Soviet Union. The remainder were shipped to the United Kingdom as a result of the

transfer agreement, whereby the United States agreed to replenish the amount the United Kingdom transferred to the Soviet Union. The quantity thus transferred is credited to our commitment provided for in the third Russian protocol. Were you aware of that fact?

Mr. WHITMAN. I can't say definitely whether I was or not.

I know at one time or another, because of shipping arrangements, it has been advantageous for England to make certain shipments to Russia instead of ourselves. That is why I don't want to say I didn't know anything about this, but I don't know the nature of this transfer, really.

Mr. SOURWINE. Did you know such a transfer had been made, sir?

Mr. WHITMAN. I don't believe I did.

Mr. NELSON. We might not in the ordinary course of our business. We don't know always where Lend-Lease ships these things.

Mr. SOURWINE. Are we going to ship any molasses to Great Britain this year?

Mr. WHITMAN. It is expected that molasses from Cuba will go to Great Britain, and I believe the British have certain stocks of molasses stored in Florida which will be shipped.

Senator FERGUSON. Is that Cuban molasses?

Mr. WHITMAN. Yes.

Senator FERGUSON. And does that come out of our agreement or quota with Cuba?

Mr. WHITMAN. The first amount I spoke of, the direct shipment from Cuba, in part I think will come out of our agreement with Cuba.

Mr. SOURWINE. Is that considered lend-lease?

Mr. WHITMAN. I would prefer to have F. E. A. answer that.

Mr. SOURWINE. Do you know whether this molasses now in Florida is lend-lease?

Mr. WHITMAN. I can't tell you. I believe it is lend-lease.

Senator FERGUSON. Do you know how much it is?

Mr. WHITMAN. No, sir; I haven't the figures.

Senator FERGUSON. How long has it been there?

Mr. WHITMAN. We probably have such figures somewhere in our files, but I don't know them. I can't answer your question, sir.

The CHAIRMAN. Is that American produced molasses in Florida?

Mr. WHITMAN. No, sir. I am quite sure that is Cuban molasses.

The CHAIRMAN. What do the British do with that molasses?

Mr. WHITMAN. Make industrial alcohol, sir.

Senator FERGUSON. If you will take your chart there you will see 1944, new supply, next to the last line on the first chart, synthetic, molasses, grain and imports. Have we any new program that could add to our production of alcohol under synthetic? Is there any question about the use of wood or other than grain?

Mr. WHITMAN. Mr. Nelson, I think, spoke yesterday of consideration of a wood hydrolysis plant, which would not produce in 1944, however.

Mr. SOURWINE. Would it produce ethyl alcohol?

Mr. WHITMAN. Yes, sir; but not in 1944.

Senator FERGUSON. Have we developed all the synthetic alcohol producing plants that we are going to develop outside of the one Mr. Nelson mentioned?

Mr. WHITMAN. Possibly not, sir.

Incidentally, for the sake of accuracy, we do not speak of this alcohol which would come by wood hydrolysis as being synthetic. When we speak of synthetic alcohol it is from hydrocarbon gases, from petroleum generally.

Senator FERGUSON. Then, we would have to have a new chart showing the alcohol made from wood?

Mr. NELSON. That is right. It would come in 1945. But answering your question, I don't believe I gave the complete answer to your question about new synthetics. There are a number of new synthetic projects, coming in now. One looks interesting if we can do it. It is a question of its conflict with other components and manpowers. There are propositions for increase of the synthetic alcohol facilities before us.

Senator FERGUSON. The Gillette committee, on grain alcohol—it has been their purpose to get the production of alcohol from grain?

Mr. WHITMAN. From farm products.

Senator FERGUSON. Has that been developed as far as you are going to develop it?

Mr. WHITMAN. Since last summer the War Food Administration has been impressing upon us the difficult future situation on grains which has caused us to not approve additional facilities which would consume additional grain.

Senator FERGUSON. But for anything else on the farm? For instance, Mr. Nelson said he would not allow sweetpotatoes to be used.

Mr. NELSON. I didn't say that. I said we did not approve the sweetpotato project.

Senator FERGUSON. Are there any methods of making it other than from grain?

Mr. NELSON. We are experimenting now with dehydrated potatoes. That is being developed as rapidly as can be.

Senator FERGUSON. The farm produce development is going along, and the only hold-up would be the use of grain?

Mr. WHITMAN. Or other products which the War Food Administration does not want us to use. The potato interest resides primarily in the temporary excess of potatoes which War Food Administration is anxious to have used for this purpose.

Mr. NELSON. There is one project in Idaho Falls.

Mr. SOURWINE. To wind up this questioning for the moment, the F. E. A. figure is that the British are to receive 103,000 tons of molasses from the 800,000 tons which the United States will receive from Cuba and the West Indies.

Do I understand that you think all of that will be shipped direct from the West Indies and Cuba?

Mr. WHITMAN. Yes; although actually the best usage of shipping may conceivably involve transferring some of that into Florida at a time when shipping is very tight and subsequently shipping to England. I can't say what the actual shipping movement will be finally.

Mr. SOURWINE. So, it is hard to earmark that as a direct shipment from Cuba. It is definitely a part of what we are getting from Cuba that we are turning over to Great Britain?

Mr. WHITMAN. And you must ask F. E. A. if you want to know more about the nature of the deal.

Mr. SOURWINE. What prospects are there for decreases in the remainder of this year in the amount of alcohol allotted to indirect military and civilian requirements?

Mr. NELSON. I don't know of any decrease in that category. There may be in connection with the rubber program.

Mr. SOURWINE. At the moment I want to talk about that category.

The CHAIRMAN. That is the category testified about by Mr. Nelson and inserted in the record.

Mr. SOURWINE. Yes, sir; the category on which he gave us the percentage break-down and will furnish us with the gallonage.

Is it a fact that the allotment of high-flash naphtha to the protective coating industry was recently increased?

Mr. NELSON. I don't know.

Mr. WHITMAN. I can't answer that.

Mr. SOURWINE. If that had been true it would reduce the requirement for alcohol for that industry, would it not?

Mr. WHITMAN. I don't know, sir.

Mr. SOURWINE. Can you tell us, as a chemist, whether high-flash naphtha is a substitute for alcohol solvents for paints and varnish?

Mr. WHITMAN. They are rather different in their nature.

Mr. SOURWINE. Can high-flash naphtha be used as a substitute for alcohol solvents for paints and varnishes?

Mr. WHITMAN. When one talks about the solvent business, there are lots of possibilities of substitution.

Mr. SOURWINE. And this is one of the possibilities, is it?

Mr. WHITMAN. I don't want to say.

Mr. SOURWINE. You are very much at sea as to why there should have been any allocation of high-flash naphtha to the protective coating industry?

Mr. WHITMAN. Not at sea.

Mr. SOURWINE. And you don't know if it is suitable as a substitute for alcohol solvents?

Mr. WHITMAN. Only partially so, if at all.

Mr. SOURWINE. Do you know of any other use in the protective coating industry for which it might be suitable?

Mr. WHITMAN. Of course.

Mr. SOURWINE. How is it used, sir?

Mr. WHITMAN. High-flash naphtha is used as a solvent where a hydrocarbon solvent is desired.

Mr. SOURWINE. Is alcohol also used as a solvent?

Mr. WHITMAN. Yes.

Mr. SOURWINE. Would you presume that if there had been or were to be any releases of high-flash naphtha to the protective coating industry, that there would be the release of any alcohol as a result?

Mr. WHITMAN. I would doubt it.

Mr. SOURWINE. Has there been any recent change in the allocations of alcohol for shellac?

Mr. WHITMAN. The supplies of shellac having eased up, I believe that the allocation order on shellac has been revoked. That would have possibly greatly increased the use of alcohol for shellac under our existing alcohol order except that we took the precaution of modifying the alcohol order so that this would not be a rat hole down which a lot of extra alcohol was used for shellac.

Mr. SOURWINE. I am a great reader of comic strips. A comic strip recently running—I think it is "Dick Tracy" or something like that—

Mr. WHITMAN. "Kerry Drake," sir.

Mr. SOURWINE. You are better than I am. It involves the use of alcohol released for shellac to go into the black market. Is that perfectly possible?

Mr. WHITMAN. The idea of that cartoonist was ingenious and it was developed just before we put the extra teeth into the alcohol order which would prevent it.

Mr. SOURWINE. Any connection, sir?

Mr. WHITMAN. It happened to come about the same time.

Mr. SOURWINE. My reason for lifting the allocation on shellac was then a relaxation of the entire situation?

Mr. WHITMAN. On shellac.

Mr. SOURWINE. Yes.

Dr. Whitman, you furnished the Gillette subcommittee with the chart or tabulation showing the proportionate distribution. That is the chart which is now going to be furnished for the record here?

Mr. WHITMAN. Yes, sir.

Mr. SOURWINE. It is not a later revision of it? It is the same chart?

Mr. WHITMAN. I think Mr. Nelson suggested we give you a later revision.

Mr. NELSON. What I said to you was that we would get these figures as of January 1. I read from those figures. I said that we would get them up for you.

Mr. SOURWINE. That was only a background question. The next question I want to ask about is whether you have anything like current figures on the use of pure industrial alcohol by industry groups for civilian uses.

Mr. WHITMAN. Yes, reasonably so. I should explain that the allocation which is applicable to this second quarter of 1944—we have, of course, the figures on the amount allocated—is not going to check with the actual uses.

Mr. SOURWINE. I see.

Mr. WHITMAN. In other words, an allocation is a right to use, and in certain cases the right may prove to be somewhat larger than the actual use.

So we have to follow up subsequent to the second quarter with what actual use was made.

Mr. SOURWINE. Can you tell us what quantity of alcohol has been allotted to the cosmetic chemical group for this year, 1944?

Mr. WHITMAN. Only roughly, sir.

Mr. SOURWINE. Can you get that figure for us?

Mr. WHITMAN. Yes. For the combination of toiletries, cosmetics, and so forth, it would be a little more than 3,000,000 gallons.

Mr. SOURWINE. What quantity of alcohol did that cosmetic chemical group use in each of the years 1941, 1942, and 1943? Do you know that?

Mr. WHITMAN. We can get that for you perhaps. I haven't the figure here.

Senator FERGUSON. It was less in those years than it is now?

Mr. WHITMAN. No, I think it was greater before our order went into effect. Our restrictions are on the basis of past performance, and I

believe I am correct in saying that that group before war used more alcohol than it is using today.

Mr. SOURWINE. You will furnish that figure?

(Dr. Whitman subsequently furnished the following statement:)

PAST USAGE OF ETHYL ALCOHOL FOR TOILETRIES AND COSMETICS

Toiletries and cosmetics, including hair and scalp preparations, bay rum, face and hand lotions, body deodorants, perfume tinctures, toilet waters, tooth-cleaning preparations, mouth washes, shampoo and toilet soaps, are tabulated by the Alcohol Tax Unit in their fiscal yearly break-down of uses of specially denatured alcohol. The following table gives their total for these items over the fiscal years indicated. No such statistics were tabulated by them for the fiscal years 1938 and 1939.

Fiscal year:	Wine gallons used	Fiscal year—Continued	Wine gallons used
1936.....	3,304,924	1940.....	4,449,255
1937.....	3,779,359	1941.....	5,113,816
1938.....	(0)	1942.....	5,608,411
1939.....	(0)	1943.....	3,425,641

¹ Data for fiscal 1938 and 1939 not available.

NOTE.—Alcohol Tax Unit data since July 1, 1943, not yet available. Our present estimate is that the figure for fiscal 1944 will not exceed 3,000,000 gallons.

Mr. WHITMAN. We will give you the best estimate we can.

Mr. FERGUSON. Who did you tell me yesterday would give us the subsidy figures on alcohol for civilian use?

Mr. WHITMAN. The figures on prices being paid, I think Defense Supplies can give you. That is a branch of the R. F. C.

The CHAIRMAN. I think, gentlemen, we will pause here and resume again at 2 o'clock.

We want to conclude this matter. We believe that you gentlemen want to conclude it.

Mr. NELSON. Is it necessary that I be here this afternoon?

Mr. WHITMAN. I can attend.

Mr. NELSON. Dr. Whitman can give you the figures. I want to be helpful to the committee, but if it is just a discussion of figures, Dr. Whitman can give them to you much better than I.

Mr. SOURWINE. I believe that some questions will arise that we might want to ask Mr. Nelson, but I think perhaps they can be set aside. If Mr. Nelson will come down for an hour later in the afternoon, he can do that.

Mr. NELSON. You can call me later.

The CHAIRMAN. Very well.

We will resume at 2 o'clock at the room of the Committee on the District of Columbia which is on the same floor as the Senate Chamber. That is in the Capitol, right next to the Senate.

(Whereupon, at 12 noon, an adjournment was taken until 2 p. m. of the same day.)

AFTER RECESS

(The subcommittee reconvened at 2 p. m. pursuant to the taking of the recess.)

Senator McCARRAN. You may proceed.

Have the members of the committee been called, do you know?

Mr. SOURWINE. I haven't called them, Senator.

Senator McCARRAN. All right. We will have to proceed.

FURTHER STATEMENT OF WALTER G. WHITMAN

Mr. SOURWINE. Dr. Whitman, I have one or two questions here concerning the use of alcohol during the first quarter of this year.

What was your January estimate; that is, the estimate you made in January of the amount of alcohol which would be used during the first quarter of this year?

Dr. WHITMAN. I will get that for you in just a minute. [Examines papers.]

Mr. SOURWINE. Surely.

Dr. WHITMAN. One hundred and fifty million gallons.

Mr. SOURWINE. How much was actually used during the first quarter of the year, do you know, Doctor?

Dr. WHITMAN. I will have that in a minute [examines papers]; 145.

Mr. SOURWINE. One hundred and forty-five million gallons.

If the actual use during the rest of the year is proportionately as much below the estimate as the first quarter was, what would that make the total use for the year?

Dr. WHITMAN. About 20,000,000 gallons less than shown or, rather, 15,000,000 gallons less than shown.

Mr. SOURWINE. Fifteen million for the whole year?

Dr. WHITMAN. Yes.

Mr. SOURWINE. That would be for the remainder of the year, wouldn't it?

Dr. WHITMAN. Yes, for the remainder of the year, but what I have given you has been 1944 requirements which are included already, part of the year having passed.

Mr. SOURWINE. Now, before I go into the question of antifreeze, I would like to ask, in fairness to you, Dr. Whitman, whether you feel that the questioning so far has involved any undue criticism of the War Production Board or of your estimating.

Dr. WHITMAN. That is a very hard question to answer, sir. There have at times been things which I perhaps regarded as implications which caused me to bridle a little bit.

Mr. SOURWINE. Well, you are naturally inclined to support the efficiency of your own estimating, aren't you, sir?

Dr. WHITMAN. We think we are pretty good.

Mr. SOURWINE. It has been suggested that the hearing might be shortened if I attempted to jump to some conclusions which I was attempting to reach by a slower process.

Has that struck you, Dr. Whitman?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Perhaps if we could agree upon some conclusions it would be unnecessary to go forward with this detail.

Can you agree to the conclusion that the War Production Board's estimates of requirements are and have been consistently too high?

Dr. WHITMAN. No, I don't believe I can agree to that.

In certain respects they have been too high.

Mr. SOURWINE. Can you agree, sir, on the conclusion that the Board's estimates of production and supply are and have been almost consistently too low?

Dr. WHITMAN. No.

Mr. SOURWINE. Can you agree that reasonable estimates of production and reasonable estimates of requirements would leave a margin of supply in excess of requirements?

Dr. WHITMAN. I think I can say this, that early in the estimates—Mr. SOURWINE. This is just preliminary, Dr. Whitman. We are trying to find out if we can agree on this.

Dr. WHITMAN. I am trying to see if this would perhaps answer your question:

Early in the process of estimating before the rubber plants had been built and completed we attempted to make our estimates or requirements fully adequate.

If Colonel Dewey said that his requirements might be a minimum of one figure and a maximum of another we would use the maximum figures. It seemed necessary for the safety of the program for us to assume the maximum requirement which he indicated.

In general, Colonel Dewey would give us estimates of the requirement for rubber and he would say plus or minus 10 percent, meaning that he might actually need 10 percent more, he might actually need 10 percent less.

Under those circumstances and with the responsibility upon us for seeing that the alcohol was supplied we did openly accept the higher estimate of requirement in order to be sure that we wouldn't fall down on the job and have too little too late.

Mr. SOURWINE. Is your answer to my question "Yes," then?

Dr. WHITMAN. Would you state it again?

Mr. SOURWINE. Yes, sir. The question was, "Do you agree that a reasonable estimate of production and a reasonable estimate of requirements will leave a margin of supplies in excess of requirements?"

Dr. WHITMAN. No, sir.

Mr. SOURWINE. All right.

Can you agree that alcohol has been allocated to certain civilian needs in excess of the amount that was actually required for those needs?

Dr. WHITMAN. On the whole I think not, sir. I will say this, that we would not have put in a tighter allocation order in the fall of 1943 if we had not suspected that perhaps we could have alcohol legitimately by means of a tighter allocation order, so to that extent I would say "Yes," we would agree that we were not sure, we were keeping alcohol under as tight control—

Mr. SOURWINE (interposing). Have you saved any by that allocation?

Dr. WHITMAN. I think we have, sir. The number of complaints that pour in because people didn't get all the alcohol they would like to have.

Mr. SOURWINE. Well, the use for 1943 for indirect military and civilian uses was 147,000,000 gallons and your estimate of use this year is 160,000,000 gallons. That isn't much of a saving.

Dr. WHITMAN. But suppose control had not been in, the use could have been this year 180 or 190 million gallons because the program is being stepped up, alcohol is being used in larger amount than in 1943.

Mr. SOURWINE. Your categorical answer to my question then is "No"?

Dr. WHITMAN. I think so.

Mr. SOURWINE. I suppose we might as well go along as best we can. Can you agree that a stock pile is being built up and maintained, the maintenance of which in future prospect is unnecessary?

Dr. WHITMAN. No, sir.

Mr. SOURWINE. Well, since we cannot agree on the conclusions in one leap, perhaps we had better go along as before, step by step. Can you tell us how much alcohol was allocated for antifreeze during 1942?

Dr. WHITMAN. I can tell you how much was used for antifreeze. I don't know whether it was under allocation.

Mr. SOURWINE. All right. We will accept that figure.

Dr. WHITMAN. 30,000,000.

Mr. SOURWINE. And how much was used for antifreeze in the calendar year 1943?

Dr. WHITMAN. In round numbers, 51,000,000.

Mr. SOURWINE. That was a large increase, was it not?

Dr. WHITMAN. Yes.

Mr. SOURWINE. How much was allocated for the calendar year 1944?

Dr. WHITMAN. 32,000,000.

Mr. SOURWINE. That is your present figure, sir?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Do you have any figures on the use of industrial alcohol for making antifreeze during the first quarter of this year.

Dr. WHITMAN. Yes. That, of course, is the off season on making antifreeze.

Mr. SOURWINE. Yes, sir.

Dr. WHITMAN. Two million gallons.

Mr. SOURWINE. Do you know how much will be used for making antifreeze during the second quarter of this year?

Dr. WHITMAN. That will, of course, depend upon the schedules of packaging.

Mr. SOURWINE. What are the maximum and minimum limits?

Dr. WHITMAN. We have estimated something like 9,000,000 gallons during the second quarter.

That is, of course, in the preparation for next winter's antifreeze.

Mr. SOURWINE. How about the third quarter?

Dr. WHITMAN. Fourteen million.

Mr. SOURWINE. And the fourth quarter?

Dr. WHITMAN. Seven.

Mr. SOURWINE. Is ethyl alcohol the only kind of alcohol used in antifreeze, Doctor?

Dr. WHITMAN. No. Methyl alcohol will be used this year. It wasn't possible to use it last year.

We anticipate that quite a fair amount of methyl alcohol will be available and a fair amount of isopropyl alcohol will be available.

That is the reason why it is possible for us to reduce the ethyl alcohol for 1944 requirements.

Mr. SOURWINE. I don't know why you would call that a reduction. It was less than was used in 1943 but more than was used in 1942.

Dr. WHITMAN. It was much less than was used in earlier years.

Mr. SOURWINE. How much alcohol was used for antifreeze in 1941?

Dr. WHITMAN. I don't have the figures.

Mr. SOURWINE. How much alcohol was used for antifreeze in 1940?

Dr. WHITMAN. I don't have the figures.

Mr. SOURWINE. When was the period you were just referring to?

Dr. WHITMAN. Oh, the period from 1938 on through.

Mr. SOURWINE. What was the average amount of alcohol used for antifreeze during that period?

Dr. WHITMAN. I don't have the figures.

Mr. SOURWINE. Well, how much under or higher than 30,000,000 gallons?

Dr. WHITMAN. I don't have the figures.

Mr. SOURWINE. You made the statement and I am just trying to find what you base it on.

Dr. WHITMAN. I am basing it on the figures and I don't have them here.

Senator McCARRAN. Do you have the figures?

Dr. WHITMAN. I will get them for you.

Senator McCARRAN. I would like to have them.

Mr. SOURWINE. What advantage does this ethyl alcohol have over wood alcohol for use in antifreeze?

Dr. WHITMAN. Over methanol—

Mr. SOURWINE. What advantage does ethyl alcohol have over wood alcohol for antifreeze?

Dr. WHITMAN. I don't know that it has any.

Mr. SOURWINE. They are equally acceptable?

Dr. WHITMAN. They are equally acceptable.

Mr. SOURWINE. When this methyl alcohol and isopropyl alcohol becomes available will that reduce the amount of ethyl alcohol that is required?

Dr. WHITMAN. Yes.

Mr. SOURWINE. In other words, that ought to provide part of the 30,000,000 gallons?

Dr. WHITMAN. No. The total will be much more than 30,000,000.

Mr. SOURWINE. So that the total will be as high as the 42,000,000 gallons which you estimated it would be on December 1, 1943?

Dr. WHITMAN. The total for all alcohols, do you mean?

Mr. SOURWINE. Used in antifreeze, all alcohols.

Dr. WHITMAN. All alcohols; yes; we think it is going to be more.

Mr. SOURWINE. The reduction then from last year's 50 to 30 represents largely not a reduction in the need for alcohol antifreeze but increases in methyl and isopropyl?

Dr. WHITMAN. That is correct.

Mr. SOURWINE. How is commercial antifreeze made?

Dr. WHITMAN. It can be ethyl alcohol denatured, it can be methyl, it can be mixtures of methyl and isopropyl.

Mr. SOURWINE. Well, it is in all cases pure alcohol?

Dr. WHITMAN. Or pure alcohol with a slight denaturant.

Mr. SOURWINE. What is the proof when put into cars?

Dr. WHITMAN. I think it is nearly 190 proof.

Mr. SOURWINE. Once it goes into the radiator it is greatly diluted, isn't it?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Would it be feasible to sell commercial alcohol for antifreeze at a lower proof?

Dr. WHITMAN. No; you would have to change the instructions, how much was to be used.

Mr. SOURWINE. It would work just as well?

Dr. WHITMAN. You would have to put in more gallons.

Mr. SOURWINE. But instead of putting in 3 gallons of 190 proof you could put in 6 gallons of 95 proof?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Would the increased transportation requirement take away the saving in cost of redistilling high wines or unfinished spirits?

Dr. WHITMAN. I have never calculated that. My offhand opinion would be "Yes."

Mr. SOURWINE. Does the classification of antifreeze as used in your estimates here fall properly under the general heading of indirect military and civilian uses?

Dr. WHITMAN. Yes, sir.

Mr. SOURWINE. Why have you separated it here?

Dr. WHITMAN. For the same reason that we have separated synthetic rubber.

It is interesting to take the antifreeze as a separate check and the synthetic rubber as a separate check, but they are all in the indirect category.

Mr. SOURWINE. Might it also be that the figures are a little easier to get as a package and so it can be given that way?

Dr. WHITMAN. I don't think that is the reason but that is certainly the fact. You realize that we have antifreeze under a separate allocation of its own.

Mr. SOURWINE. Do your figures for requirements on antifreeze include all the antifreeze produced for direct military use?

Dr. WHITMAN. No. A good deal of ethylene glycol is used in direct military use. That is not ethyl alcohol.

Some ethylene glycol remains for civilian use.

Mr. SOURWINE. I see. Can you tell me, sir, how much of this 32,000,000 gallons that your estimate will go to antifreeze will be needed for military uses?

Dr. WHITMAN. Directly by the Army, I don't know that any amount will be so needed, and it won't be as far as I know.

Mr. SOURWINE. In other words, the Army will not take directly any of this antifreeze?

Dr. WHITMAN. Not in the major procurement. Now whether some Army equipment going around the country picks up the commercial antifreeze I wouldn't know. Probably they will.

Mr. SOURWINE. As a matter of fact, it would be contrary to regulations if they did, wouldn't it?

Dr. WHITMAN. I don't know.

Mr. SOURWINE. Do you know whether the Army uses in its trucks any of this type of antifreeze?

Dr. WHITMAN. They use the ethylene glycol.

Mr. SOURWINE. That is the permanent type. Do you know how much of the permanent type will be put on the market this year?

Dr. WHITMAN. From memory that is about six or seven million gallons.

Mr. SOURWINE. That is the amount that is projected for civilian use?

Dr. WHITMAN. Yes.

Mr. SOURWINE. How much all together?

Dr. WHITMAN. I think it is about 16,000,000.

Mr. SOURWINE. So that the military get about 10,000,000?

Dr. WHITMAN. Yes. Those figures may be a little off.

Mr. SOURWINE. They are not 50 percent off or 60 percent off?—The answer is no?

Dr. WHITMAN. The answer is no.

Mr. SOURWINE. Take this off the record.

(Discussion off the record.)

Mr. SOURWINE. On the record. How much of the permanent type antifreeze was available for civilian use in the 1941-1942 season? Do you know, Doctor?

Dr. WHITMAN. I am sorry, I don't.

Mr. SOURWINE. The figure that has been given to me is 17,000,000 gallons. Would you challenge that?

Dr. WHITMAN. Not seriously. It sounds a little high to me. I am a little surprised it is as high as that.

Mr. SOURWINE. Do you know how much of the permanent type antifreeze was available for civilian use in the 1942-1943 season?

Dr. WHITMAN. I don't recall.

Mr. SOURWINE. The figure I have is 8.6 million gallons. Does that sound right?

Dr. WHITMAN. Yes.

Mr. SOURWINE. For the 1943-1944 season do you know how much permanent type was used, sir?

Dr. WHITMAN. That—you mean this last winter?

Mr. SOURWINE. Yes, sir.

Dr. WHITMAN. I don't recall the figure. Perhaps you have one there.

Mr. SOURWINE. I have a figure of 6.9 million gallons.

Dr. WHITMAN. That sounds reasonable.

Mr. SOURWINE. And if the estimated amount as you testified it will be available for the 1944-1945 season is 6.7 million gallons—

Dr. WHITMAN. Did I say that?

Mr. SOURWINE. Yes.

Dr. WHITMAN. I thought I said six to seven millions.

Mr. SOURWINE. That is available for civilians?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Do you know how much ethyl alcohol was used for antifreeze for civilian consumption for the 1941-1942 season?

Dr. WHITMAN. No. I think I said I didn't have that figure with me here, but I would supply it.

Mr. SOURWINE. I might say, Mr. Chairman, the figure I have on that is 31,000,000 gallons.

That does not comport to your estimates, sir?

Dr. WHITMAN. I don't recall the figure.

Mr. SOURWINE. And the same would be true of the '42-'43 season, you don't have the figure?

Dr. WHITMAN. Yes, I gave you the figure on the 1942 production which would be for the 1942-1943 season, and that figure which I gave a little while ago was 30,000,000 gallons.

Mr. SOURWINE. Well, was that total production of antifreeze or was that alcohol that went into antifreeze?

Dr. WHITMAN. Alcohol, ethyl alcohol for antifreeze.

Mr. SOURWINE. It would surprise you considerably if support could be given for a figure of total use of ethyl alcohol for antifreeze for the civilian consumption during that season of only 20.5 million gallons, wouldn't it?

Dr. WHITMAN. Not necessarily.

Mr. SOURWINE. Well, that would mean you would be 10,000,000 gallons short somewhere, wouldn't it?

Dr. WHITMAN. You realize that the amount which is packaged for a season is not necessarily the amount which is used in a season?

Mr. SOURWINE. So it might have been perfectly possible that you permitted the alcohol to be used and that 30,000,000 gallons were packaged and only 20,000,000 gallons were used?

Dr. WHITMAN. It is conceivable.

Mr. SOURWINE. Do you know how much was used during the 1943-1944 season?

Dr. WHITMAN. I know how much was allowed for packaging in the year 1943, which was 51,000,000 gallons, and the question of whether there was any significant amount of inventory left I am not in a position to say.

Mr. SOURWINE. You have no figures on stocks of antifreeze then?

Dr. WHITMAN. I think we may have them in our antifreeze section.

Mr. SOURWINE. Will you try and get them for us, Doctor?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Do you know what the reason was for the very large increase in antifreeze during the past winter?

Dr. WHITMAN. Of alcohol, yes. As I stated before, it was the fact that methanol was not available for antifreeze.

Mr. SOURWINE. Yes, sir.

Do you know what the military requirements for antifreeze were in '41?

Dr. WHITMAN. No, sir.

Mr. SOURWINE. Do you know what they were in 1942?

Dr. WHITMAN. No, sir.

As I told you before, the military prefers the permanent type of antifreeze.

Mr. SOURWINE. But the point is this, you have stated that the reason for the large increase in alcohol for antifreeze was the unavailability of the permanent type which went to the military.

Dr. WHITMAN. I didn't say that sir. I said that—as a matter of fact, I should have said the permanent type as well as methanol, but what I said was the unavailability of methanol.

Mr. SOURWINE. I see.

Dr. WHITMAN. I should have also said the fact that a large amount of the permanent type was not available for the civilian.

Mr. SOURWINE. Well, the reason it wasn't available being that an appreciable quantity went to the military?

Dr. WHITMAN. Yes.

Mr. SOURWINE. What I am getting at now is what were the military requirements?

And, Mr. Chairman, I dislike testifying, but subject to any proper challenge that the witness cares to make, I should like to put these figures of record. They were obtained by me from the War Department.

Senator McCARRAN. Yes.

Mr. SOURWINE. Military requirements in 1941 of antifreeze of the permanent type, 440,000 gallons; in 1942, 3,890,000 gallons; 1943, 5,500,000 gallons; and on order so far this year 2,500,000 gallons.

Do you know, Doctor, what the amount of alcohol used for antifreeze was annually prior to the war?

Dr. WHITMAN. That has varied with the years.

As I told you, I do not have the figures here.

The amount of ethyl alcohol used for antifreeze had been diminishing really as other types of antifreeze came in.

Mr. SOURWINE. Perhaps, I misunderstood you when I thought you said a moment ago that it had been larger in past years than this 32,000,000 gallon figure.

Dr. WHITMAN. Well, that is quite correct and is absolutely consistent with what I told you just a little bit ago.

I say now that amount of ethyl alcohol over a period of years prior to the war had been diminishing.

Mr. SOURWINE (interposing). Yes, sir.

Dr. WHITMAN. As competitive antifreeze came on the market.

Mr. SOURWINE. Yes, sir.

Dr. WHITMAN. There is nothing inconsistent I believe with other statements I have made.

Mr. SOURWINE. Would it surprise you if figures could be supported that the average use of ethyl alcohol for antifreeze in the years immediately prior to the war was 15,000,000 gallons a year?

Dr. WHITMAN. In the years immediately prior to the war?

Mr. SOURWINE. Yes, sir.

Dr. WHITMAN. That is over how many years?

Mr. SOURWINE. Well, as you state, '36 to '40.

Dr. WHITMAN. Yes; it would surprise me.

Mr. SOURWINE. Your impression was it was in excess of 30,000,000 gallons?

Dr. WHITMAN. From '36 to '40 I would be surprised if it averaged as low as 15,000,000 gallons.

Mr. SOURWINE. Yes.

Just for the purpose of assumption, Doctor, if civilian antifreeze included 15,000,000 gallons of ethyl alcohol plus 17,000,000 gallons of the permanent type, or a total of approximately 32,000,000 gallons for those pre-war years, and then you would take away from your 1941-42 season 440,000 gallons needed by the Army, that would not justify any large increase in the use of alcohol, would it, sir?

Dr. WHITMAN. For the year?

Mr. SOURWINE. Yes, sir.

Dr. WHITMAN. 440,000?

Mr. SOURWINE. Yes, sir.

Dr. WHITMAN. No.

Mr. SOURWINE. If you went on to the next year and took away from that average 3.9 million gallons needed by the military, you would only have to increase the use of alcohol by that many gallons, wouldn't you?

Dr. WHITMAN. If that is the right figure.

Mr. SOURWINE. Yes, sir. We understand that these figures are questioned by you?

Dr. WHITMAN. No; you didn't so understand. I just said if that is the right figure.

Mr. SOURWINE. For all you know it may be right?

Dr. WHITMAN. It may be right.

Mr. SOURWINE. Now during the year 1942 the amount of alcohol made available for antifreeze was 29,000,000 gallons, approximately. Is that right, sir?

Dr. WHITMAN. That was what year?

Mr. SOURWINE. 1942.

Dr. WHITMAN. Yes. Thirty million packaged.

Mr. SOURWINE. That was slightly in excess of the requirement for the '42-'43 season, wasn't it?

Dr. WHITMAN. I don't know.

Mr. SOURWINE. And the amount of alcohol used during the 1943-44 season was—you have given is the figure—

Dr. WHITMAN. The amount packaged was 51,000,000 gallons.

Mr. SOURWINE. But you do not know whether the use was that high or 40,000,000 or possibly no more than 32,000,000?

Dr. WHITMAN. I told you I would try to get you what was carried over at the end of the season. I do know this, that we had a great deal of complaints from States west of the Mississippi at times that they were not getting enough antifreeze. We actually had to give out a little more than we had anticipated giving out because of the complaints.

I think that largely happened in States like the Dakotas and so forth. Mr. SOURWINE. Now, you stated earlier, Doctor, that the amount of permanent type antifreeze available for the 1943-44 season for civilian use was between six and seven million gallons.

Dr. WHITMAN. Yes; I gave you an off-hand figure of my best recollection.

Mr. SOURWINE. Yes. So if total use of antifreeze of both types for civilian use was 32,000,000 gallons a year the requirement that would have to be made up to come from alcohol antifreeze would be about 25,000,000 gallons?

Dr. WHITMAN. Why assume the total use is 32,000,000 gallons?

Mr. SOURWINE. It is my understanding that was the figure in 1940.

Dr. WHITMAN. I believe the estimated usage or basic requirement for next year is going to be over 50,000,000 gallons.

Mr. SOURWINE. That is your estimate, sir; but I am working on this assumption.

Dr. WHITMAN (interposing). Your estimate is quite a lot lower.

Mr. SOURWINE. The figures I have, Doctor, are that the total use of antifreeze for civilian purposes was running about 32,000,000 gallons a year, including both types.

Dr. WHITMAN. I think you are wrong, sir.

Mr. SOURWINE. I know that the total amount of automobiles on the road has declined, and it stands to reason that with military usage aside the amount of antifreeze of both types for civilian use cannot be higher than it was in those pre-war years.

Dr. WHITMAN. Well, I think if you are going on the assumption that 32,000,000 gallons will meet the country's needs, it is quite erroneous.

I may also advise that we had a committee on antifreeze with which we consulted on the needs and how much should be allocated, what the past performance had been.

If I had realized that you were going to want a lot of information on this antifreeze picture I could have prepared myself perhaps a little better to answer with specific figures, and I am quite sure that you are quite wrong when you talk about 32,000,000 as an assumed civilian need for all antifreezes.

Mr. SOURWINE. May I ask that you furnish the committee with this information, or as nearly as you can:

The amount of alcohol-type antifreeze which was made available to civilian uses during each of the years from 1936 to 1941, inclusive;

and the amount of permanent type antifreeze which was so made available during each of those years.

Then we will have those figures for the record and we won't have anything to differ over.

Dr. WHITMAN. I will try to get those.

Mr. SOURWINE. Fine. Thank you, sir.

(Dr. Whitman subsequently furnished the committee with the following statements and tables, as response to the above request.)

ETHYL ALCOHOL FOR ANTIFREEZE

The records of past usage of ethyl alcohol for antifreeze are not complete. Perhaps the best source of data is the Alcohol Tax Unit, who have complete records on withdrawals of completely denatured alcohol (C. D. A.) and who state that C. D. A. was almost 100 percent used for antifreeze. In addition, however, some small amounts of specially denatured alcohol (S. D. A.) have been used for antifreeze. These amounts were not tabulated by Alcohol Tax Unit in fiscal 1938 and 1939. The following table shows completely denatured alcohol withdrawals and specially denatured alcohol use for antifreeze for the fiscal years in which data are available:

Fiscal year	Gallons		
	Withdrawals, completely denatured alcohol	Specially denatured alcohol, used for antifreeze	Total
1934.....	28,443,067	0	28,443,067
1935.....	38,089,525	0	38,089,525
1936.....	35,700,192	0	35,700,192
1937.....	22,454,104	0	22,454,104
1938.....	25,727,946	(1)	25,727,946
1939.....	17,204,815	(1)	17,204,815
1940.....	18,495,200	3,861,154	22,356,354
1941.....	17,770,882	2,400,002	19,970,884
1942.....	28,858,998	6,824,569	35,783,567
1943.....	24,320,681	416,182	24,736,863

1 No records.

Ethylene glycol

Production, 1943, gallons.....	20,000,000
Allocations, 1943:	
Direct military and lend-lease, percent.....	45
Civilian antifreeze, percent.....	41
Other indirect military and civilian, percent.....	14
	100

Antifreeze production, in gallons

(Excluding direct military and lend-lease)

	Permanent type	Ethyl alcohol	Isopropyl-methanol mix	Methanol	Total
Season 1941-42.....	16,855,986	31,065,124	5,751,931	20,178,002	73,849,043
Season 1942-43.....	8,636,859	20,592,750	2,114,524	14,973,804	46,287,937
Season 1943-44.....	6,900,000	46,028,010	504,000	4,195,000	60,527,010

The antifreeze production season covers the period April 1 to March 31 of the following year. It therefore does not correspond to the fiscal year period of the Alcohol Tax Unit data, which runs from July 1 to June 30.

Estimates for the 1944-45 season are currently being revised.

It is understood that nonalcohol type antifreeze is necessary for military use?

Dr. WHITMAN. That is my understanding.

Mr. SOURWINE. And if requirements for antifreeze are increased even indirectly as a result of military requirement, it is to replace permanent type antifreeze which the military has required and has taken from the civilian supply. Is that right, sir?

Dr. WHITMAN. Yes; with the realization that you have not been talking about methanol, which methanol constituted a significant part of the antifreeze supply in pre-war years and which has been necessary as a chemical raw material last year so that it could not be allowed in antifreeze.

Now I hope this year that the methanol picture will have shown sufficient improvement so that a fair amount of methanol can go into civilian antifreeze.

Mr. SOURWINE. Well, let us talk about the methanol picture for just a moment.

What was the production of methanol in the years immediately preceding the war?

Dr. WHITMAN. I haven't those figures.

Mr. SOURWINE. I suppose that means you don't have the figures on production since the war either.

Dr. WHITMAN. Not with reliability. I know the magnitude of them.

Mr. SOURWINE. Is there any reason why you couldn't furnish those figures to the committee?

Dr. WHITMAN. I think we could.

Mr. SOURWINE. All right. Make that by years if you can, Doctor, from '36 down to date.

(Dr. Whitman subsequently furnished the following table:)

Methanol production
(Thousands of gallons)

Calendar year	Synthetic	Wood	Total
1936.....	25,954	5,575	31,529
1937.....	31,814	5,754	37,568
1938.....	29,031	4,170	33,201
1939.....	34,295	4,690	38,985
1940.....	44,998	5,294	50,292
1941.....	55,847	6,025	61,872
1942.....	62,344	5,853	68,197
1943.....	64,529	4,553	69,082
1944.....	76,400	5,500	81,900

¹ Estimated.

NOTE.—Does not include production of Army plants.

Mr. SOURWINE. Now the estimates that have been cited here of the permanent type antifreeze available for civilian use showed a drop of about 8.4 million gallons during 1942. I believe that you stated that you are unable to confirm that figure.

They showed a drop of about 1.7 million gallons during 1943.

Similarly, I am not asking you to confirm that figure.

Would you think it logical that the drop, that is, the amount by which the available amount of permanent type antifreeze physically

declined, represented the amount of permanent type antifreeze required by the military?

Dr. WHITMAN. I wish you would repeat that question.

Mr. SOURWINE. It is a little difficult question to repeat. Do you mind if I rephrase it, Doctor?

Dr. WHITMAN. All right.

Mr. SOURWINE. It is your understanding that the only factor which decreased civilian supplies of permanent type antifreeze was a requirement of the military?

Dr. WHITMAN. I think that is practically true. I would like to check later and advise you if I am wrong on that.

Mr. SOURWINE. Thank you. That is interesting, because the decline during 1942 was more than twice the amount of permanent type antifreeze required by the military. The decline during other years came much closer.

Now with the figures which are going to come in for the record we will, I believe, have a pretty good round-up in the antifreeze situation. Are there any other questions on that phase of it, Senator?

Senator McCARRAN. Not that I know of.

Mr. SOURWINE. Dr. Whitman, how much import do you intend to get on sugar and molasses during the present year?

Senator McCARRAN. Before you go into that, are you going on another topic now?

Mr. SOURWINE. Yes, sir.

Senator McCARRAN. May I interrupt here. I intended to ask this question while Mr. Nelson was present. Perhaps Dr. Whitman can answer. It is entirely remote from the line of inquiry pursued this morning.

Doctor, have you any knowledge or information as to the amount of liquor, high-proof liquor, that is in storehouses and warehouses in private ownership at the present time.

Dr. WHITMAN. No, sir.

Senator McCARRAN. That is a source of alcohol, of course.

Dr. WHITMAN. Yes, sir.

Senator McCARRAN. The reason I asked the question was that I assumed that your Board, looking to the availability of alcohol from any source whatever, would naturally try to determine what alcohol there was stored up in high-proof liquors throughout the country.

That, I take it from your answer, has not been attempted.

Dr. WHITMAN. That is not quite correct, Senator; as Mr. Nelson testified yesterday, we have considered, but have turned down the idea of having to take the stored beverages as a source for industrial alcohol.

As he said yesterday, if the picture became so serious that it became necessary to do that, it would be done, but it hasn't seemed necessary to do it, and that is why I have not concerned myself in the industrial alcohol program with attempting to keep up to date on just what the stocks of liquor are in the country.

Senator McCARRAN. Now how long, Doctor—or, will you have the facilities at hand to aid the committee in bringing to our knowledge through your office and through your authority a figure showing the amount of alcoholic beverages—I am speaking of high-proof beverages, not the wines, or what I consider low-alcoholic-content beverages, but high-proof beverages throughout the country?

Dr. WHITMAN. I am of the impression, sir, that the records of your committee here from investigation of Alcohol Tax Unit representatives and the like, contains the very information you are asking. Senator McCARRAN. That may be true. The original hearings.

Dr. WHITMAN. Yes, sir. If I were to try to determine it I would go to the records of your previous hearings.

Senator McCARRAN. Yes. Have you gone through the hearings to determine that at all?

Mr. SOURWINE. Yes, sir. We have.

Senator FERGUSON. I think those records will indicate that there is no knowledge outside of warehouses.

Mr. SOURWINE. There are a number of questions we are trying to answer to get the true picture. We are satisfied we don't have the true picture.

Senator McCARRAN. In other words, you are going into that, are you, Mr. Sourwine?

Mr. SOURWINE. Yes, sir.

Senator McCARRAN. To determine the amount of alcohol that may be stored in warehouses?

Mr. SOURWINE. Yes, sir. We are also hoping to find out not only how much but also where it is.

Senator McCARRAN. Let me know when you find it, will you?

Mr. SOURWINE. Yes, sir.

Dr. Whitman, how much alcohol do you expect to get from molasses, and invert sugar and molasses this year?

Dr. WHITMAN. About 165,000,000 gallons.

Mr. SOURWINE. Can you break that down, please?

Dr. WHITMAN. That comes from the total Caribbean raw materials which we expect to be able to use for industrial alcohol in the United States.

Mr. SOURWINE. Oh, it is limited by how much you can use rather than by how much you can get?

Dr. WHITMAN. No. How much we can get.

Mr. SOURWINE. Well, can you break it down, how much from invert, how much from sugar?

Dr. WHITMAN. That is a little difficult because it depends on how the molasses is handled.

Of the total combined mixture, invert molasses and some sugar and some blackstrap molasses certain amounts will be used for the British production of alcohol, certain amounts will be used for the production of butyl alcohol in this country.

Now, to be able to say at this time whether the British will have all invert molasses or some blackstrap and whether butyl alcohol will use all invert molasses or some blackstrap is impossible.

Mr. SOURWINE. Well, how do you arrive at that figure then?

Dr. WHITMAN. I arrive at the figure by deducting the total amount of sugars, whether they be sugar, invert molasses, or blackstrap molasses.

Mr. SOURWINE. That is, you reduce it to tons of sugar?

Dr. WHITMAN. Yes.

Actually we reduce it to gallons of blackstrap molasses.

Senator FERGUSON. You don't make alcohol directly from sugar?

Dr. WHITMAN. No. It could be done.

Senator FERGUSON. Have you made any in the United States?

Dr. WHITMAN. No, sir. It could be done.

Senator FERGUSON. Do you know how much sugar is stored in warehouses in the United States that is fit at the present time for human consumption?

Dr. WHITMAN. No, sir.

Senator FERGUSON. Have you heard that in New Orleans there are 20,800,000 pounds?

Dr. WHITMAN. No, sir.

Senator FERGUSON. That has been destroyed by rats.

Dr. WHITMAN. No, sir.

Senator FERGUSON. Of course, that is only 218 carloads.

Dr. WHITMAN. I know nothing about it.

Senator FERGUSON. Well, that would make considerable alcohol; wouldn't it?

Dr. WHITMAN. It would make alcohol at the rate of about a gallon for every 15 pounds of sugar. I don't know anything about the situation which you are discussing.

Senator FERGUSON. But you have never used any sugar here in the United States to make alcohol?

Dr. WHITMAN. Not as part of the war program. I cannot speak about what may have happened pre-war.

Mr. SOURWINE. You do take the sugar and convert it and make alcohol out of the invert molasses?

Dr. WHITMAN. Yes, sir. That invert is primarily made in Cuba. Senator FERGUSON. I wasn't clear whether you were using the entire capacity of all of the possessions and in Cuba for the making of alcohol.

Dr. WHITMAN. For the actual making of alcohol?

Senator FERGUSON. Yes.

Dr. WHITMAN. No, sir.

Senator FERGUSON. Now, have you investigated to find out whether or not you could use that entire output of those possessions and Cuba? Why don't we use that?

Dr. WHITMAN. May I try to give you the broad picture on that?

Senator FERGUSON. Yes.

Dr. WHITMAN. The Caribbeans represent a source of raw materials for our industrial-alcohol program.

That means molasses and sugars.

We will get as much molasses imported to the United States for our operations as we can.

We will get as much industrial alcohol from the Caribbeans as we can.

Practically that means getting industrial alcohol from Cuba. Shipping doesn't make it practicable to take industrial alcohol from Puerto Rico and the Virgin Islands.

Senator FERGUSON. Well, last year isn't it true that a great amount of material that could be made into alcohol, molasses and other ingredients—

Dr. WHITMAN. Yes.

Senator FERGUSON. Were destroyed in these possessions because they were not used to make alcohol or were not shipped here?

Dr. WHITMAN. Lack of shipping resulted in a considerable loss, so-called ditching of molasses in the Caribbeans.

Senator FERGUSON. Yes.

Now, couldn't that have been made into alcohol, stored there, and shipped when ships were available?

Dr. WHITMAN. I doubt it, sir.

Senator FERGUSON. Well, don't we have an agreement, implied or expressed, by which all that facility is not used?

Dr. WHITMAN. Now, that is another question.

Senator FERGUSON. Well, that is a very important question.

Dr. WHITMAN. Let me try to answer the first one first, and that is up until the fall of 1943 we could not get from the War Shipping Administration any assurance of availability of tankers for the movement even of molasses, let alone alcohol by tanker.

As soon as the tanker situation improved the War Production Board immediately took the necessary steps to try to assure a maximum movement of molasses to the United States from the Caribbeans in the future.

Along with that we were perfectly willing to take such industrial alcohol as could be produced and moved up.

And Foreign Economic Administration worked with the Cubans who, after all, are the big producers of sugar and molasses in the Caribbeans, trying to consummate an arrangement whereby large amounts of molasses would come from Cuba and in addition as much industrial alcohol, substantially, as the cubans figured they would be able to make for our purposes.

Now, perhaps I haven't answered your full question.

Senator FERGUSON. You haven't answered my last question about the expressed or implied agreement on limiting the output of alcohol.

Dr. WHITMAN. Yes.

Now, that latter part concerns an agreement to limit the production—or rather the importation of beverage alcohol. That is specifically beverage alcohol from Cuba.

Senator FERGUSON. I want to know what that agreement is and your opinion as to why that agreement was made limiting importation of beverage alcohol.

Dr. WHITMAN. Yes. I will tell you as much as I can insofar as the War Production Board is involved in that agreement.

The Foreign Economic Administration was requested by the War Production Board to secure the maximum amounts of molasses and of the industrial alcohol which it could get from Cuba.

Senator FERGUSON. Now, when you say industrial, you mean ethyl?

Dr. WHITMAN. Yes, sir.

Senator FERGUSON. So it could be used for beverage purposes?

Dr. WHITMAN. No; we were attempting to have it brought up as industrial alcohol for our industrial-alcohol program. It had nothing to do with beverage alcohol.

Senator FERGUSON. But it could have released some beverage alcohol here, let us say?

Dr. WHITMAN. No, sir. We are concerned with getting all of the industrial alcohol which is needed for our program.

Senator FERGUSON. Now, wait. As I understand, part of your program would be alcohol for beverage purposes.

Dr. WHITMAN. No, sir.

Senator FERGUSON. Just a moment. As I understood Mr. Nelson to say this morning, next on the list as soon as capacity was available, alcohol for beverage purposes would be used.

Senator McCARRAN. Permitted.

Senator FERGUSON. Permitted.

Dr. WHITMAN. I would say that is not quite correct.

Senator FERGUSON. You say that is not true?

Dr. WHITMAN. If I recall Mr. Nelson's statement correctly he said when the War Production Board no longer needed the full facilities of the beverage distillers or found that the stock pile was bigger than it needed to be it would so advise, but he did not say that the—

Senator FERGUSON. All right.

Now, are there any new uses apparent or that you know of that will come in ahead of alcohol for beverage purposes?

Dr. WHITMAN. Mr. Nelson said this morning that he didn't know of such a situation; and I don't know of such a situation.

Senator FERGUSON. All right.

Now, let us go back to the question.

Dr. WHITMAN. Of the Cuban arrangement?

Senator FERGUSON. Yes.

Dr. WHITMAN. The Foreign Economic Administration advised the War Production Board that in order to carry out the War Production Board's request for securing maximum molasses in industrial alcohol, in the opinion of F. E. A. it would be necessary for the War Production Board to initiate an order which would limit the importation of beverage alcohol from the Caribbean.

Mr. Nelson was specifically asked to institute such an order and we did institute it, to become effective on the 15th of March.

Senator McCARRAN. What year?

Dr. WHITMAN. This year, Senator.

Senator FERGUSON. So we have an order limiting the importation from Cuba of alcohol for beverage purposes?

Dr. WHITMAN. Yes. Beverage alcohol from cane—cane beverage alcohol.

Senator FERGUSON. All right.

Senator McCARRAN. That is in beverage alcohol from the Caribbean, isn't it?

Dr. WHITMAN. No; it is cane; sugarcane origin.

Senator McCARRAN. Well, is there other beverage alcohol available for consumption purposes from the Caribbean?

Dr. WHITMAN. Substantially not.

Senator McCARRAN. So that covers pretty nearly everything?

Dr. WHITMAN. That is pretty nearly the same thing.

Senator FERGUSON. What that amounts to is that Cuba and the other countries there are going to put their beverage alcohol into the kind of beverage that they sell and ship it up here and sell it at a very high price to the American people, whereas, if it came in the ordinary way the American manufacturers could take it and use it with the whisky or whichever way they desired and sell it here in this country.

Senator McCARRAN. Under O. P. A. prices.

Senator FERGUSON. Under O. P. A. prices. Isn't that true? Isn't that just what has been accomplished by this cartel arrangement between the W. P. A. and Cuba?

Dr. WHITMAN. Not W. P. A., sir.

Senator FERGUSON. W. P. B. Pardon me.

Dr. WHITMAN. I would like to make clear, sir, that the War Production Board put in this restriction at the request of the Foreign

Economic Administration so that more molasses and industrial alcohol could be secured for our war program.

Senator FERGUSON. But didn't that very request indicate to you that that was a cartel arrangement by which the American public would be forced to pay higher prices for a very inferior grade of beverages?

Dr. WHITMAN. Senator, in the first place you will have to excuse me that I am too ignorant to know what cartel is.

Senator FERGUSON. Well, it is an arrangement for limitation as I use it here. Isn't that what this order has accomplished?

Dr. WHITMAN. I don't know whether that is a result of the order or not. Certainly that was not at all the intent of the order.

Senator FERGUSON. Well, were you given any data as the reason why W. P. B. should enter that order?

Dr. WHITMAN. Yes, sir.

Senator FERGUSON. Have you got the data upon which you entered it?

Dr. WHITMAN. We have. Mr. Nelson has a specific recommendation from Mr. Crowley.

Senator FERGUSON. Well, now, doesn't it take more than a recommendation? Does the recommendation set up facts by which it is shown that that is essential?

Dr. WHITMAN. I don't know how much in the way of facts is behind it.

You must remember, Senator, that this is a case of a Government agency making a deal with another Government, and the agency that makes that deal has to be exercising the judgment as to what is necessary to the deal.

Senator FERGUSON. Well, what I want to find out is how that agreement which can be detrimental to the American people, in health even, why that kind of an agreement can be entered into without having real compelling facts indicating that it was really essential for the war effort.

Dr. WHITMAN. Well, Senator, in the first place I can hardly see how you reach the conclusion that that agreement was detrimental to the health of the American people.

Senator FERGUSON. The reason I say that, they just keep their beverage alcohol down there. We have a great shortage here. They make it up into the form of beverage that they desire, send it in here, and the people will drink it no matter what it is just because it has the name alcohol or contents of alcohol.

Dr. WHITMAN. You are assuming that they would deliberately send up a more poisonous product than they otherwise would. Is that correct?

Senator FERGUSON. I don't say poisonous but I don't think there is any doubt if you can get the fact that it is detrimental to the health of the American people.

Senator McCARRAN. I don't think there could be any doubt as to its inferiority.

Dr. WHITMAN. Well, I believe you are asking a line of questions where the determination rested with F. E. A.

The request came to the War Production Board to put in the restriction. The request came from the F. E. A. and we put in the restriction.

Senator FERGUSON. Well, Mr. Chairman, I would like to have produced for the committee all the data.

What was the foundation of your agreement?

Dr. WHITMAN. It was the request of the responsible agencies who were making the agreement.

Senator McCARRAN. Undoubtedly the bare request would not produce the order. The bare request wouldn't produce the order.

Dr. WHITMAN. Yes, it would.

Senator McCARRAN. In all instances?

Dr. WHITMAN. Not in all instances.

Senator McCARRAN. Did it in this instance? If it doesn't in all instances, why did it in this instance?

Must there not be persuading facts connected with the request in order to have the order promulgated?

Dr. WHITMAN. Yes; I think so.

Senator McCARRAN. All right. Then we want whatever facts or statements or correspondence there was in connection with the agency making the request, if you please?

Dr. WHITMAN. All right, sir.

(Material submitted in response to this request appears in the appendix, pp. 829 to 834.)

Senator FERGUSON. Dr. Whitman, do you have any knowledge of any American interests that have gone down to Cuba and brought this alcohol, or have an agreement to buy the beverages that they make from this alcohol, so that their capacity may be used down there for making beverages and thus sold through one or a few distributors up here?

Dr. WHITMAN. Our information along that line, Senator, is due to the fact that we now have this import control order to operate and in connection with the operation of that order we receive applications from various American concerns for authorization to import material from the Caribbean islands.

Senator FERGUSON. All right. Now, that is not a free market today, from your report. Would you say from your applications it is not a free market?

Dr. WHITMAN. Again I am a little bothered by "free market."

Let me say that the applications are far in excess of the amount which is still available under the quota to be brought up.

Senator FERGUSON. But isn't it true that one company is importing most of the beverages or alcohol?

Dr. WHITMAN. I don't know, sir. I don't think there is any one company which constitutes most of it.

Senator FERGUSON. Well, will you furnish us with a list of the companies and the amounts that they are importing.

Dr. WHITMAN. I am very glad to furnish what I can. I just want to be sure—

Senator FERGUSON. Who is the largest importer?

Dr. WHITMAN. I think Schenley.

Senator FERGUSON. Schenley is the distiller that is importing the most beverage or alcohol for beverage purposes from the Caribbean. Isn't that true?

Dr. WHITMAN. Oh, I think it is the largest single interest. You realize, sir, there is practically no movement since the 15th of March when our order went into effect.

Senator FERGUSON. But isn't it true that because of Schenley's interest in having the majority of the alcohol down there for the beverages that they had an influence upon the making of this order regarding the beverage alcohol from the Caribbeans and Cuba?

Dr. WHITMAN. I think that is entirely incorrect, sir.

Senator FERGUSON. You know of no fact that would indicate that that is true?

Dr. WHITMAN. That is correct. I know of no fact that would indicate that that is true.

Senator FERGUSON. Are there any Schenley interests in the W. P. B.?

Dr. WHITMAN. I don't know, sir.

Senator FERGUSON. Do you know of any Schenley men working for the—what was the agency that gave you the request, again?

Dr. WHITMAN. Foreign Economic Administration.

Senator FERGUSON. Yes.

Dr. WHITMAN. I don't know, sir.

Senator FERGUSON. Is there any one connected with them?

Dr. WHITMAN. I don't know.

Senator FERGUSON. Do you recall anything about the fact, what the reason was, what Cuba gave as the reason?

Dr. WHITMAN. What Cuba gave as the reason?

Senator FERGUSON. The reason for not—

Dr. WHITMAN (interposing). For restricting importation?

Senator FERGUSON. Yes.

Dr. WHITMAN. The reasons were not given by Cuba. The reasons were given by the Foreign Economic Administration, to this effect, that if unlimited beverage importation to the United States were permitted, so much molasses would be used for that purpose in the islands that we wouldn't be getting the molasses for the industrial alcohol program.

That is absolutely the reason.

It is a diversion of a raw material into beverage.

Senator FERGUSON. How do you account for this request, that any alcohol or any molasses shipped up here should not be used for the purpose of releasing the American facilities for making beverage alcohol?

Dr. WHITMAN. That was a Cuban request.

Senator FERGUSON. Yes. Now, how do you account for that, if your other reason is a correct one? Why would Cuba make that kind of a request.

Dr. WHITMAN. May I go back for just a minute to point out that Cuba did not request that we put any import control. It was our own Government, the Foreign Economic Administration, which suggested that we put in import control.

Senator McCARRAN. I must have misunderstood you, sir, because I certainly got it just a few minutes ago that that condition was put in at the request and at the demand of Cuba.

If I am in error I certainly would have gone away with the error.

Dr. WHITMAN. Could I repeat just so there is no mistake in the record?

Senator McCARRAN. Yes, sir.

Dr. WHITMAN. The request for the inauguration of import control was by our own Foreign Economic Administration. It was not a request from Cuba.

Senator McCARRAN. All right.

Senator FERGUSON. But wait, didn't it come because of Cuba's demand or request?

Dr. WHITMAN. No, sir.

Senator FERGUSON. In other words, this came out of our own Department here without any knowledge or statement from Cuba?

Dr. WHITMAN. Senator, do you realize that this is not particularly palatable to Cuba? They didn't want to be restricted in importation.

Senator FERGUSON. Well, what about the request of Cuba that what she did import was to be used for industrial purposes, would in no way release any of our facilities?

Dr. WHITMAN. I think, sir, those questions should be asked of the Foreign Economic Administration because they handled the negotiations with the Cubans, for which the War Production Board wasn't in the slightest responsible, and the War Production Board has not been advised that any such restrictions are part of the consummated agreement.

Senator FERGUSON. But you know them to be a fact, don't you, Doctor, those restrictions as regards imports?

Dr. WHITMAN. Oh, the restriction as to import of beverage is a fact.

Senator FERGUSON. As to what should be done with it has been accepted?

Dr. WHITMAN. No, sir. Not so far as any information which has been transmitted to us, and we are the people who are handling that alcohol.

Senator FERGUSON. So, there is no restraint at the present time upon alcohol for beverage purposes?

Dr. WHITMAN. You are quite correct. There is no restraint at all. There has been a misconception, a rumor, to the effect that we were under the restraint of a Cuban agreement which would affect our right to produce beverage in this country.

To the best of my information, that is an absolutely baseless rumor.

Senator McCARRAN. But it was a request as you understood it from Cuba?

Dr. WHITMAN. I think so but I would prefer if you want to go into that that it would be the Foreign Economic Administration which would speak on that point.

Senator McCARRAN. Just on the side, Doctor, isn't it true that not so very long ago the industry—and when I use the term "industry" I mean the distillers of the continental United States—offered to buy the alcohol in Cuba, all of the commercial alcohol in Cuba, and trade the same to you, or, rather, to the United States Government, for pure grain alcohol?

Wasn't that offer made to your knowledge?

Dr. WHITMAN. I understand that one distiller advocated such a plan.

Senator McCARRAN. Well, wasn't the offer made to do that? And wasn't it rejected by you or your division?

Dr. WHITMAN. Well, the offer—I cannot say whether this is officially true or not. I believe the offer was made to the Foreign Economic Administration which was the responsible party for foreign purchases. It was discussed with some of us.

Senator McCARRAN. Do you recall the incident of our meeting at the Secretary of the Treasury's office?

Dr. WHITMAN. Yes.

Senator McCARRAN. And the discussion in which it was stated as I recall it in your presence that such was the case, that the matter was submitted to you but had not been approved by you?

Dr. WHITMAN. Yes. I also recall the statement made by General Schwengel who has been the proponent of this scheme, that it was officially presented to F. E. A. as the responsible agency.

Senator FERGUSON. I notice you call it a scheme. Is that what you think of it?

Dr. WHITMAN. A plan.

Senator FERGUSON. You used the word "scheme."

Dr. WHITMAN. I have no implication in the word "scheme." I will call it a plan.

Senator FERGUSON. I wondered if that had any meaning.

Dr. WHITMAN. No, sir. Call it a plan.

Senator McCARRAN. All right.

Mr. SOURWINE. Dr. Whitman, coming back to the question of a break-down of how you arrive at your figure of 165,000,000 gallons of invert molasses and sugar, you were telling us how you arrived at that figure.

Dr. WHITMAN. Yes. I will run through that if you would like to have me.

Mr. SOURWINE. Very briefly, Doctor.

Dr. WHITMAN. We are figuring on a million short tons of sugar from Cuba.

Mr. SOURWINE. Yes, sir.

Dr. WHITMAN. Most of it will be produced there in the form of invert molasses.

Mr. SOURWINE. Yes, sir.

Dr. WHITMAN. It now appears that 900,000 tons of it will be produced in the form of invert molasses. That will be the big bulk of the raw material that we will get from the Cubans for our alcohol program.

Added to that will be certain amount of blackstrap molasses picked up from Cuba and other islands.

That combination will be the basis for our own U. S. production of industrial alcohol, the production of part of our butyl alcohol in the United States, and the production of certain alcohol over in the British Isles.

The amount of butyl alcohol and the amount used in England, if expressed back in terms of tons of sugar we figure to be about 320,000 tons.

So one way of expressing it would be to say that our own industrial ethyl alcohol program will be 680,000 tons of sugar, that is, 1,000,000 minus 320.

Mr. SOURWINE. Which you then convert into 165,000,000 gallons of alcohol?

Dr. WHITMAN. No. You have jumped the gun.

Mr. SOURWINE. Excuse me.

Dr. WHITMAN. Six hundred and eighty thousand tons, plus the blackstrap molasses, which will finally altogether be equivalent to making 165,000,000 gallons of alcohol.

Does that explain it?

Mr. SOURWINE. What would your tonnage figure be after you have added your sugar equivalent in your blackstrap to your 680,000 tons that you mentioned?

Dr. WHITMAN. The amount of blackstrap molasses—I believe that new figure that you are going to get from all of the islands will give a magnitude of enough blackstrap—this is pretty rough (using slide rule) to make perhaps fifty to sixty million gallons of alcohol from it.

Mr. SOURWINE. Well, I am trying to check it in tons of sugar equivalent, because that was your denominator. I cannot add gallons of alcohol to tons of sugar.

Dr. WHITMAN. But you can add gallons of alcohol to gallons of alcohol.

Mr. SOURWINE. Yes. And I can add tons of sugar to tons of sugar. Now, you get at W. P. B. six hundred thousand-and-odd tons of sugar?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Then you are going to add enough blackstrap so that the total would be 165,000,000 gallons of alcohol. I just wanted to make that addition with you in terms of sugar.

Dr. WHITMAN. Well, no one talks about residual blackstrap in terms of tons of raw sugar, but I will try to give you a figure which will fit your position.

Mr. SOURWINE. In other words, Doctor, when you say 165,000,000 gallons, that is not a mathematical calculation based on total tons of sugar?

Dr. WHITMAN. I will figure it out for you.

Senator FERGUSON. You mean, Doctor, he asked you a question and you couldn't use that slide rule?

Dr. WHITMAN. I am trying to do it most simply if I can.

I would guess that all of that blackstrap would be equivalent to about 440,000 tons of sugar, for your purpose of addition, although it has very little physical significance.

Mr. SOURWINE. It brings us back roughly to the equivalent of a million tons?

Dr. WHITMAN. That is right.

Mr. SOURWINE. Now, is that the total amount that you anticipate being able to get from the Caribbean?

Dr. WHITMAN. That is our best guess right now, yes.

Mr. SOURWINE. Is that because there is no more molasses or because you can't get the bottoms to bring it up to this country?

Dr. WHITMAN. I think there is one of the few cases where maybe the two are getting pretty close together.

It is primarily because we can't get more molasses, but the shipping situation has become somewhat tighter than it looked 2 months ago, and if we could get more molasses, we would be pretty hard put for the moment in the next 30 days to handle the molasses.

Mr. SOURWINE. What would be the total amount of the molasses you could bring from Cuba during this entire calendar year, including

what has already been brought up, if you had an inexhaustible stock pile of molasses in Cuba? Have you any estimate on that?

Mr. WHITMAN. You are asking me what is our probability of moving it by ships?

Mr. SOURWINE. That is right.

Mr. WHITMAN. Now, I will have to explain a little on that point because the ship movement is particularly critical during the sugar season.

Mr. SOURWINE. I don't want the background, Doctor.

Mr. WHITMAN. Well, if you don't want the background, I can't answer your question.

Mr. SOURWINE. All right. You have not even a rough estimate on how much you could bring in? I am willing to accept your word for the factors that are included. I am just trying to get the end result here.

Mr. WHITMAN. I don't believe I can answer your question if you are not interested in the background.

Mr. SOURWINE. It is like when you look at that slide rule, Doctor. I don't understand the use of it, but I accept the figure when it comes to me.

I know that when you are looking at that slide rule you achieve a much more accurate result than by mental arithmetic, because I know it is valuable to you.

Mr. WHITMAN. Ask me the question again and see if I can answer it.

Mr. SOURWINE. Yes, sir.

What is the amount per month, of molasses, that can be moved from Cuba with reasonable prospective available shipping?

Mr. WHITMAN. Well, you are asking me a question which I can't answer because I don't know what the prospective shipping is going to be.

Mr. SOURWINE. Yes; I understand.

Mr. WHITMAN. But I can answer it if you will accept this fact, that the bottleneck is right here in the springtime while the sugar season is on, when the invert molasses which is made must be moved out of tanks or you have to quit making it.

Mr. SOURWINE. Yes, sir.

Mr. WHITMAN. Now, unless you have the ships in the spring, it doesn't do you a lot of good to have the ships in the fall because you couldn't make the molasses in the first place.

Senator FERGUSON. Unless they have storage tanks?

Mr. WHITMAN. That is right. I am assuming we are going to use effectively all the storage we have in Cuba. Still, the critical time is right now of being able to purge these tanks of molasses so they will be empty for more molasses to come in.

Mr. SOURWINE. Actually the limiting factor on the amount we can bring in is the shipping which is available?

Mr. WHITMAN. It happens to be so right now.

Mr. SOURWINE. You know, of course, that the Cuban crop is going to be bigger than it was anticipated a few months ago?

Mr. WHITMAN. Yes; and we are going to get more invert molasses on that basis than was anticipated.

Mr. SOURWINE. Doctor, do you know what the total shipments of molasses to this country from Cuba, Santo Domingo, and Haiti were

during the month of February of last year and during the month of February of this year?

Mr. WHITMAN. I do have those figures, but I don't have them with me. We do keep a close record of those.

Senator FERGUSON. Can you let the committee have those figures for January, February, March and April, sir?

Mr. WHITMAN. I think so. I don't know whether they will have to be regarded as confidential, but we can certainly get them to you. (The figures referred to were later supplied by the witness, as follows.)

Receipts of Defense Supplies Corporation molasses from Caribbean area

[Physical gallons]

1944

January.....	20,200,000
February.....	30,740,000
March.....	36,680,000
April.....	34,150,000
Total.....	121,770,000

Senator FERGUSON. Why would they be regarded as confidential?

Mr. WHITMAN. I don't know. It has to do with shipping. So I don't want to commit myself in advance that they wouldn't have to be confidential.

Mr. SOURWINE. Doctor, I am going to get into another subject that may be confidential, but I will try not to overstep the bounds of what has already been made public.

I am going back to direct military uses.

Your estimate—

Senator FERGUSON. Have you got the question?

Mr. WHITMAN. Yes.

Mr. SOURWINE. On December 1, 1943, your estimate of requirements of alcohol for direct military use during 1943 was 43,000,000 gallons; is that right, sir?

Mr. WHITMAN. It may well be.

Mr. SOURWINE. Well, I assure you I am not trying to trick you on any of these questions. I am quoting the figure as I have compiled it from W. P. B. official records.

Mr. WHITMAN. That was for this year

Mr. SOURWINE. For 1943, sir.

Mr. WHITMAN. For 1943?

Mr. SOURWINE. It was your December 1 estimate.

Mr. WHITMAN. And what was it again?

Mr. SOURWINE. 43,300,000 gallons.

Mr. WHITMAN. All right.

Mr. SOURWINE. You subsequently revised that estimate downward to 39.9 million gallons?

Mr. WHITMAN. Yes.

Mr. SOURWINE. That represented then, I presume, actual use. The first was an estimate, the second was an actual use figure?

Mr. WHITMAN. Yes.

Mr. SOURWINE. However, by December 1 of 1943 you were able to tell that direct military requirements for that year would not exceed 43,000,000 gallons?

Mr. WHITMAN. Of course, the actual figure might have turned out to be 46.

Mr. SOURWINE. Well, it did turn out a little lower. But you knew—

Mr. WHITMAN. We knew what it was going to be, approximately.

Mr. SOURWINE. Why was it then, that on that same date, that is, December 1, 1943, you estimated direct military requirements for 1944 would be 60,000,000 gallons?

Mr. WHITMAN. I think that is a matter that I would like to tell the committee in private, if I may. Oh, I guess I could explain that as of that time; when that estimate was made we anticipated that there might be a rather large Air Corps need which didn't develop.

Mr. SOURWINE. On October 20, 1943, you had estimated the 1944 requirement for direct military use as 48,000,000 gallons.

On December 1, although you knew by that time that use during 1943 would not exceed 43,000,000 gallons, you upped the 1944 estimate to 60,000,000 gallons.

Mr. WHITMAN. I have just explained that, sir.

Mr. SOURWINE. And then on January 3, 1944, 1 month later, you put that estimate back down to 48,000,000 gallons.

Mr. WHITMAN. Yes, isn't that interesting? That is what happens all the time in this planning, that it seems that some need will develop and it gets to the point of where it should be allowed in the planning, and then it turns out that it isn't going to be needed.

Mr. SOURWINE. Well, now, Doctor, your December 1 estimate of requirements showed the lend-lease figure down about 18,000,000 gallons from the estimate of October, and the figure for the rubber program down about 20,000,000 gallons.

Isn't that one of the reasons why the estimated requirements for direct military use and indirect military and civilian use were increased?

Mr. WHITMAN. No, sir.

Senator FERGUSON. It wasn't because you had more that you gave them more?

Mr. WHITMAN. No, sir.

Mr. SOURWINE. It just happened that one end of the scales went down when the other end went up?

Mr. WHITMAN. That is correct.

Mr. SOURWINE. No cause and effect?

Mr. WHITMAN. No, sir.

Mr. SOURWINE. There wasn't any effort to keep the total requirements figure as nearly constant as possible?

Mr. WHITMAN. No, sir.

Mr. SOURWINE. The following month, according to your estimate, as of January 3, the figures for lend-lease and for the rubber program went up again, and the figures for direct military use and for anti-freeze went down. The same answer? The scales tipped the other way, but that was just a coincidence?

Mr. WHITMAN. Yes.

Mr. SOURWINE. On April 20 of 1943, a little over a year ago, you estimated the requirements for direct military use for 1943 as slightly over 61,000,000 gallons. That estimate turned out to be about 50 percent above requirements.

Now, this April you estimated the requirements for direct military use for this year as 24.6 million gallons. Is that figure 50 percent too high also?

Mr. WHITMAN. Not as far as I know.

Mr. SOURWINE. Can you say how much too high it might be?

Mr. WHITMAN. I have given you confidentially our latest estimate on this, which you can consult.

Mr. SOURWINE. I am trying to keep that confidential communication out of this record.

Mr. WHITMAN. But, sir, I am unable to testify openly on something which I have previously told you I am not supposed to. I have given you the figures.

Mr. SOURWINE. You know that if a newspaperman is hot after a story, the best way to keep him from springing the story is to give it to him off the record, don't you?

Mr. WHITMAN. I didn't know that.

Mr. SOURWINE. I will assure you it is true, if it is a reputable newspaperman. This being a reputable committee, I suppose there is some analogy.

Doctor, when you talk about the working inventory at the synthetic rubber plants, what do you mean?

Mr. WHITMAN. I mean the amount of alcohol which they have in tankage ready to run into the butadiene plants, and when I say "working inventory" I mean the estimate of the amount below which their inventory should not drop if they are going to be sure of continuing steady operation.

Mr. SOURWINE. For how long?

Mr. WHITMAN. Continuing steady operation.

Mr. SOURWINE. You mean continuing at all?

Mr. WHITMAN. Yes. If they are going to be sure of continuing steady operation.

Now, let me point out—

Senator FERGUSON. How many days would you say they should have?

Mr. WHITMAN. I should think that the synthetic rubber plants desirably should have at least 3 weeks of stocks. It must be remembered that floods come in to interrupt transportation and that you can't completely empty these tanks and keep running steadily.

Mr. SOURWINE. If you figure on a 30-day rather than a 3-week basis, what would you say the working inventory of the synthetic rubber plants is?

Mr. WHITMAN. Well, that would be about 30,000,000 gallons.

Senator FERGUSON. Would that be added to that 105,000,000 that you gave the other day—stock pile?

Mr. WHITMAN. I said the stocks on April 15 were 87%—I have also said 88—million gallons. That is Government stocks.

Senator FERGUSON. Plus 17,000,000?

Mr. WHITMAN. I said that private industry might have as much as 20,000,000 gallons of stocks, but I am not—

Senator FERGUSON (interposing). That is 107,000,000. Then you would add to that another 30,000,000 at the plant?

Mr. WHITMAN. No, sir.

Senator FERGUSON. Would you take that out, the 30,000,000?

Mr. WHITMAN. The 87½ million of Government stocks includes these working stocks at the butadiene plants.

Senator FERGUSON. You would subtract that if you were getting at that?

Mr. WHITMAN. Yes. I have said at one time or another we figure the total working stocks needed for the synthetic rubber plants, the arsenals, lend-lease terminals, is about 30,000,000 gallons, so, conventionally, I would say that if we have 88,000,000 gallons of Government stocks, I deduct from it the 30,000,000 of necessary minimum inventory, and so I have 57,000,000 of what I call reserve stocks.

That 57,000,000 gallons is what I think of as our reserve stock pile at the present time.

Senator FERGUSON. How much capacity have you for storage of a stock pile?

Mr. WHITMAN. We have a total capacity—or we had at one time a capacity of over 150,000,000 gallons. As the stocks have diminished and we don't expect ever to have that amount of alcohol again, I believe that the leases of the tanks which were being employed for that purpose have been given up, and—

Senator FERGUSON (interposing). What is your capacity today for the Government facilities?

Mr. WHITMAN. I think we have got a little bit more than 100,000,000 gallons of tankage in which this 88,000,000 gallons is contained.

Senator FERGUSON. Isn't it possible to do this job with safety on 50,000,000 stock pile?

Mr. WHITMAN. No, sir; not in my opinion.

Now, we are talking about total Government stocks?

Senator FERGUSON. Yes. Who else gives opinions, and how is that opinion made up? Can we get the data from which that opinion of 88,000,000 is the limit?

Mr. WHITMAN. Eighty-eight is not the limit, sir. Eighty-eight happens to be the position at the moment.

Senator FERGUSON. Well, what is the minimum amount that would be safe?

Mr. WHITMAN. I think that Mr. Nelson described that in his testimony by saying that it depends upon the anticipated supplies and requirements of the future and the stocks as they exist at that time.

The CHAIRMAN. Well, would you say it might be as much as 150,000,000 gallons?

Mr. WHITMAN. I don't think we will ever go 150,000,000 gallons again. In the first place, I don't think we could get it, and in the second place I don't think we need it. We went to 150,000,000 gallons before—we didn't get up that high—before the synthetic-rubber plants began to take alcohol at that tremendous rate.

Senator FERGUSON. What is that monthly capacity?

Mr. WHITMAN. May I go one point further?

What we were doing was storing alcohol during the period when we could make more alcohol than we were using against the later period when our usage was going to be greater than our capacity.

Senator FERGUSON. What is our capacity today, per month?

Mr. WHITMAN. To make alcohol?

Senator FERGUSON. Yes.

Mr. WHITMAN. The country's capacity—well, for the whole year—we figure that capacity to be 611,000,000 gallons minus the importation. Do you want to include that?

Senator FERGUSON. Yes; what is it monthly, our capacity?

Mr. WHITMAN. Their average over the year is 586,000,000 gallons, which, divided by 12—if I may use this slide rule—will average over the year about 49,000,000 gallons a month.

Now, that is a varying figure, seasonally, and also because we have a few plants which are not yet up to capacity. It should be running better later on.

Senator FERGUSON. So, we have about a little better than 2 months' supply now with the 107,000,000 gallons? We have got 49—

Mr. WHITMAN (interposing). Yes.

Senator FERGUSON. Do you know of anything that could happen that could prevent this country from making in the neighborhood of the 49,000,000 gallons per month?

Mr. WHITMAN. Yes, sir.

Senator FERGUSON. What is it?

Mr. WHITMAN. In the first place if we don't have grain. That is perhaps our biggest threat.

Senator FERGUSON. Have you been kept in the past from making alcohol because of the lack of grain?

Mr. WHITMAN. We have been kept from making alcohol as fast as we could because we couldn't get corn. We have had to prohibit for a period, from the 1st of July until the 1st of December, the use of any corn for making alcohol.

Senator FERGUSON. Just recently didn't you put some rule in requiring them to use so much corn in making alcohol?

Mr. WHITMAN. No, sir. We put in a regulation—or we put in an announcement—that they would be permitted to use up to a certain amount of corn in certain distilleries. Actually they haven't been able to get the corn.

Senator FERGUSON. Oh, you gave them the right to do something that they couldn't do?

Mr. WHITMAN. That is right. It turned out they couldn't get the corn.

Senator FERGUSON. How does it come that you gave them that right in the face of what we now know as a great scarcity of corn?

Mr. WHITMAN. It was given to them only on the approval of the War Food Administration.

Senator FERGUSON. Well, didn't the War Food Administration know how much corn there was? Didn't they know or anticipate this shortage where people can't even feed their stock?

Mr. WHITMAN. I expect you had better ask War Food Administration about that. Let me say, Senator, that all we were doing was saying, "If you can get corn, you no longer are completely prohibited from using it."

Certain distilleries in areas that are near the Corn Belt would have the right, if they could get corn, to use, let's say, up to 45 percent corn in the mixture. Practically speaking, they couldn't get it, and now, of course, other changes have occurred in the corn situation which makes it even less likely that they would get it.

▼ Senator FERGUSON. Couldn't, with any judgment at all, all this have been anticipated? I thought this morning, I understood at least, that W. P. B. was more the user of a slide rule, that their judgment went into the various things.

Mr. WHITMAN. It has, sir.

Senator FERGUSON. It has in effect, but I am really asking that now because I want to know. Are you a slide rule? Do you just manipulate slide rules or do you use judgment in the doing of these things by order?

Mr. WHITMAN. I expect you will have to exercise your own opinion on that.

Senator FERGUSON. No; but I want to know about this corn order. You say that you issued an order.

Mr. WHITMAN. Sir, that was—let me go back on the corn.

At the request of War Food Administration we put in a restriction which prohibited any use of corn because of the difficult situation.

Senator FERGUSON. When was that?

Mr. WHITMAN. That was early in July of 1943.

Senator FERGUSON. All right. Now, let's take the next order. When did the next order come?

Mr. WHITMAN. I will go just a little behind that.

During the previous 8 months, we, in collaboration with the War Food Administration, had been urging the distilleries to shift to wheat just as much as possible, and the requirement that the distillers had to use a certain percentage of wheat along with their corn.

It finally got to the point where we prohibited corn, and it wasn't until December when corn movements were somewhat better that War Food Administration advised us that we could partially remove this prohibition on corn.

Senator FERGUSON. Then what kind of an order did you put in and when did you put it in?

Mr. WHITMAN. All we put in was instructions to distillers that during the next month—I believe it was the month of December—they would be permitted to use up to 45 percent of corn, and that was only for distillers in the right geographical location. Then that was extended to apply into the first quarter of 1944.

It was merely a permission to do it, overruling the previous prohibition.

Senator FERGUSON. Now, was there any judgment upon the part of W. P. B., or were you merely following what you had been requested by the War Food Administration?

Mr. WHITMAN. There was judgment to this extent, sir, that we had extensive conferences with the War Food Administration pointing out the disadvantage to the alcohol program of not being able to use corn, and urging upon the War Food Administration that they be as generous as they felt they could be in allowing the use of corn.

Then we put our telegrams out on the basis of the agreement which War Food said that we could go up to 45 percent corn in certain places if they could get the corn.

Senator FERGUSON. Well, if you can get the corn; all right.

Mr. WHITMAN. Now, there wasn't a slide rule in that, sir.

Senator FERGUSON. No slide rule.

Mr. WHITMAN. No, sir.

Senator FERGUSON. All right, now, today are they allowed to use corn if they can get it?

Mr. WHITMAN. Yes. Within the same limitations. Generally, near the corn area, if they can get it, a number of distilleries are allowed to use up to 45 percent corn, but I think that is getting tougher and tougher.

Senator FERGUSON. But you don't change the rule, it just gets tougher and tougher and when they can't get it, why, the rule becomes automatic?

Mr. WHITMAN. I don't think we have sent any telegrams recently on that. It is a permissive affair.

Mr. SOURWINE. If you took away from the rubber plants half of this 30,000,000 gallons of working inventory, could they continue to operate?

Mr. WHITMAN. I think we would hear an awful howl from them.

Mr. SOURWINE. But they could continue to operate, couldn't they?

Mr. WHITMAN. I think they would probably have to reduce their capacity because they would not be assured of being able to run the next few days at that rate.

Mr. SOURWINE. Well, if you took away half of it, they would still have enough to assure 15 days of operation at capacity, wouldn't they?

Mr. WHITMAN. I didn't say that the rubber plants were going to have 30,000,000 gallons of minimum inventory. I said that the rubber plants, plus the arsenals and the lend-lease terminals combined would have 30,000,000 gallons.

Mr. SOURWINE. How much is the lend-lease terminals, do you know?

Mr. WHITMAN. I don't know at the moment.

Mr. SOURWINE. Do you know whether they will send any more?

Mr. WHITMAN. Yes.

Mr. SOURWINE. The policy in that regard hasn't changed? You are still carrying some at lend-lease terminals?

Mr. WHITMAN. Of course, you have to. That is just the regular operation of a business. You can't have a ship come in and have all of its alcohol a thousand miles away and then have to go and try to—

Mr. SOURWINE (interposing). Well, what is the working inventory at the synthetic rubber plants?

Mr. WHITMAN. Well, I gave you an estimate that about 3 weeks is—

Mr. SOURWINE (interposing). Oh, in gallons, Doctor?

Mr. WHITMAN. In gallons?

Mr. SOURWINE. Yes.

Mr. WHITMAN. Well, 3 weeks would be around 20,000,000 gallons. It would be figured as a fair working inventory. Actually, there is more gallons, I believe, at the synthetic rubber plants, and we regard that as extra over and above their minimum inventory.

Mr. SOURWINE. What is the working inventory for synthetic rubber plants for 30 days, roughly?

Mr. WHITMAN. Well, you mentioned that yourself before.

Mr. SOURWINE. But I used the 30,000,000-gallon figure and you said that was incorrect.

Mr. WHITMAN. That is all right.

Well, you are using the term "working inventory."

Mr. SOURWINE. At rubber plants.

Mr. WHITMAN. I will try to get this clear.

I said that the amount of inventory which ought to be available at the rubber plants at a minimum in order to assure a safe, continuous operation was about 3 weeks.

Mr. SOURWINE. Yes, sir.

Mr. WHITMAN. Which I also said was 20,000,000 gallons.

Mr. SOURWINE. Yes, sir.

Mr. WHITMAN. Now, what else do you want to know?

Mr. SOURWINE. Well, I asked you if the working inventory at rubber plants wasn't, on that basis, approximately for 30 days' supply, 30,000,000 gallons?

Mr. WHITMAN. Well, I mentioned the word "minimum" safe working inventory when I said 20,000,000 gallons.

Now, the rubber plants have got tankage—

Mr. SOURWINE. Yes.

Mr. WHITMAN. I believe suitable for the storage of nearly 35,000,000 gallons, in which case they are above the safe minimum.

Mr. SOURWINE. Well, let's start over.

If the rubber plants have 30,000,000 gallons, they have enough to work for 30 days, right?

Mr. WHITMAN. Yes; except that you can't pull it down to nothing, you realize that.

Mr. SOURWINE. Well, if they had 15,000,000 gallons, they would have enough to work for 15 days, wouldn't they?

Mr. WHITMAN. If they had 15,000,000 gallons, they would be in a very precarious position.

Mr. SOURWINE. If they had 10,000,000 gallons, they would have enough to work for 10 days?

Mr. WHITMAN. No.

Mr. SOURWINE. If they had 5,000,000 gallons, they wouldn't have enough to work for 5 days definitely; is that right?

Mr. WHITMAN. Correct.

Mr. SOURWINE. If they didn't have 10,000,000 gallons, would they have to shut down now?

Mr. WHITMAN. It would become a question of the judgment of the plant manager as to whether he was taking a chance on some shipments that were reported to come in.

Mr. SOURWINE. What would be the chance he would be taking?

Mr. WHITMAN. Well—

Mr. SOURWINE. Suppose he used it all up and ran out. Then he would have to shut down, would he?

Mr. WHITMAN. He would not only have to shut down, but if he shut down without being well prepared for it he might have a difficult time getting started again. He might have burned out some furnaces in the process.

Mr. SOURWINE. If he had 5,000,000 gallons only, he would have to shut down, would he?

Mr. WHITMAN. I think if the rubber plants combined had only 5,000,000 gallons, why they would all be shut down unless they knew that the trains were just ready to unload.

Mr. SOURWINE. You know that some of the rubber plants during the last 12 months have operated on reserve supplies at the plant on only 5 or 6 days' requirements?

Mr. WHITMAN. That is right.

Mr. SOURWINE. And gambled on the trains coming in?

Mr. WHITMAN. And we have raised hell, and they have also.

Mr. SOURWINE. One million gallons of alcohol makes two and a half million pounds of rubber; is that right?

Mr. WHITMAN. I think that is about right.

Mr. SOURWINE. It takes 900 or 910 gallons of alcohol to make 1 ton of butadiene?

Mr. WHITMAN. Yes.

Mr. SOURWINE. And it takes 1 ton of butadiene to make 1.2 tons of rubber?

Mr. WHITMAN. Yes; 1 short ton of butadiene, I believe, makes 1.2 long tons of Buna S.

It just happens that when you get over into rubber you begin to talk long tons.

Mr. SOURWINE. Well, a short ton is 2,000 and a long ton is 2,200 pounds; is that right?

Mr. WHITMAN. Two thousand two hundred and forty, isn't it?

Mr. SOURWINE. Yes. That is where you get part of the adjustment between 1 and 1.2.

Mr. WHITMAN. Correct.

Mr. SOURWINE. Accordingly, it takes about 750 gallons of alcohol to make 1 long ton of rubber; is that right?

Mr. WHITMAN. That sounds right.

Mr. SOURWINE. Well, the increase there is from 1 to 1.2, which is one-fifth, it would be one-fourth if you reversed it?

Mr. WHITMAN. I didn't differ with you.

Mr. SOURWINE. I haven't got a slide rule, Doctor.

Mr. WHITMAN. Go ahead.

Mr. SOURWINE. Now, I want to know something about these rubber plants that are coming into production.

Is it true that the Neches plant came in about 6 weeks ago, the specifications for production?

Mr. WHITMAN. I am just wondering whether I ought to try to answer questions for you that are in the province of the Rubber Director. It is true that the Neches plant came in.

Mr. SOURWINE. Well, the Neches plant is not a rubber production plant, sir. It is a plant producing alcohol from petroleum, isn't it?

Mr. WHITMAN. No, sir; it produces butadiene from petroleum.

Mr. SOURWINE. The butadiene, then, has to go to the rubber plant to go into the rubber?

Mr. WHITMAN. Yes.

Mr. SOURWINE. Is that production of butadiene of the Neches plant strictly under the W. P. B.? That is, your Division has nothing to do with it?

Mr. WHITMAN. That is correct. When it comes to making butadiene, that is the office of the Rubber Director.

Mr. SOURWINE. Do you keep a close tab on the production of butadiene for rubber, sir?

Mr. WHITMAN. Not on butadiene from petroleum. We keep in close touch with butadiene from alcohol because we are responsible for supplying the alcohol.

Mr. SOURWINE. In other words, when these petroleum butadiene plants were set up, they were the long-range source for butadiene for

rubber, weren't they? The alcohol program was an expedient, a temporary issue, to carry over until the petroleum butadiene plants came in?

Mr. WHITMAN. I don't believe I had better pass judgment on that, or express policy opinions on the rubber program. Colonel Dewey can speak from—

Mr. SOURWINE (interposing). Simply as a matter of fact, sir, isn't it your understanding that that was the policy?

Mr. WHITMAN. No, sir.

Mr. SOURWINE. It was never your understanding that that was the policy?

Mr. WHITMAN. No, sir.

Mr. SOURWINE. Do you know what these petroleum butadiene plants are expected to produce in the way of annual capacity?

Mr. WHITMAN. I believe that is in the progress report of the Rubber Director.

Mr. SOURWINE. Yes, sir. Do you know?

Mr. WHITMAN. If I remember the figures in the progress report, it was somewhere around 450,000 short tons of butadiene per year.

Mr. SOURWINE. Yes, sir.

Mr. WHITMAN. And this, understand, is just my memory of what is in the Rubber Director's progress report.

Mr. SOURWINE. Yes, sir. Do you know how much rubber is being made from alcohol butadiene now?

Mr. WHITMAN. How much butadiene is being made from alcohol? I believe a little better than 30,000 tons a month.

Mr. SOURWINE. In other words, the ultimate production of the synthetic butadiene plants—that is, from petroleum—will be in excess of the amount of butadiene which is being made from alcohol?

Mr. WHITMAN. That's so, I understand.

Mr. SOURWINE. You have not been officially advised that the Neches plant came into specifications production about 6 weeks ago?

Mr. WHITMAN. No; but I have talked with people who know about it.

Mr. SOURWINE. You are willing to accept that as a fact?

Mr. WHITMAN. Yes.

Mr. SOURWINE. Have you talked to people who know about when the Houston plant will come in, or came in?

Mr. WHITMAN. I don't think that has come in yet, has it?

Mr. SOURWINE. You haven't been advised officially or otherwise that it came into specification production last week?

Mr. WHITMAN. No; I didn't know it.

Mr. SOURWINE. How about the Shell plant in California?

Mr. WHITMAN. I don't know the story on that.

Mr. SOURWINE. You haven't been advised that that came into production last week?

Mr. WHITMAN. No.

Mr. SOURWINE. Do you know when the Lake Charles plant is due to be in production?

Mr. WHITMAN. I believe it is expected to be in this summer, but I don't know.

Mr. SOURWINE. Have you heard the date, July 1?

Mr. WHITMAN. I don't recall. This summer, in general, is what I have heard.

Mr. SOURWINE. For the record, Mr. Chairman, my information from the office of the Rubber Director is that the Neches plant came in about 6 weeks ago, the Houston plant last week, the Shell plant last week, and that the Lake Charles plant is due by July 1.

Do you know what production of rubber from butadiene was in March, Dr. WHITMAN?

Mr. WHITMAN. I don't.

Mr. SOURWINE. You don't know what it was in April, either?

Mr. WHITMAN. No.

Mr. SOURWINE. You don't know what was expected this month?

Mr. WHITMAN. No.

Mr. SOURWINE. Do you know how much rubber per month is now being made from alcohol?

Mr. WHITMAN. I estimated a little over 30,000 short tons of butadiene.

Mr. SOURWINE. Yes, sir.

Mr. WHITMAN. Which would be, oh, a little over 36,000 long tons if expressed over the Buna S.

Mr. SOURWINE. Yes, sir. On the basis of 750 gallons of alcohol per ton of rubber, how many gallons of alcohol equals that rubber production figure?

Mr. WHITMAN. Well, 27,000,000 gallons of alcohol would give 36,000 long tons of Buna S, and as I said, I understand it is a little above that.

Mr. SOURWINE. Let's turn it around the other way. We have been told that the rubber program is using a million gallons a day of alcohol. How many long tons of rubber does that equal?

Mr. WHITMAN. Well, the million gallons of course, includes some alcohol which is used for styrene.

The CHAIRMAN. For what?

Mr. WHITMAN. For the manufacture of styrene which is the other material going along with butadiene to make Buna S.

And if 30,000,000 gallons a month were used, I believe that about a million of it would be for styrene manufacture, leaving, say, 29,000,000 for butadiene, which, if we take that 750-gallon figure it gives us 38,600 long tons of Buna S.

Mr. SOURWINE. Between 37,000 and 40,000 tons of Buna S a month then, from alcohol?

Mr. WHITMAN. Yes.

Mr. SOURWINE. Do you know the relationship at present between the rate of rubber production and the rate of rubber consumption?

Mr. WHITMAN. No, sir.

Mr. SOURWINE. You don't know whether production is above or below consumption?

Mr. WHITMAN. No, sir. I am just not equipped to discuss this line.

Mr. SOURWINE. Would you say that production is fairly near consumption one way or the other now?

Mr. WHITMAN. I just don't want to make any statement on rubber consumption versus rubber production, and don't know.

Mr. SOURWINE. Mr. Nelson said yesterday that we had just about reached the turning point on that. I took that to mean that they were fairly close.

Mr. WHITMAN. Well, I have no independent knowledge.

Mr. SOURWINE. Perhaps I shouldn't have attempted to draw an inference from you.

Now, what proportion of the total rubber program is represented by this production from acohol butadiene?

Mr. WHITMAN. Well, we will have to assume what the total rubber program is and then—

Mr. SOURWINE (interposing). Haven't you heard a figure, Doctor, roughly two-thirds or roughly three-fourths?

Mr. WHITMAN. I think really, sir, that when you are talking now about the rubber program, you have gotten beyond the acohol contribution to the rubber program, which is our responsibility.

Mr. SOURWINE. All right.

Mr. WHITMAN. And such questions should be asked of those qualified in the office of the Rubber Director.

Mr. SOURWINE. All right, then; let me ask you a hypothetical question which won't bind you with regard to the rubber program policy.

If it is true that at the present time up through the month of April butadiene produced from alcohol accounted for, say, two-thirds of the total production of rubber—

Mr. WHITMAN. Yes.

Mr. SOURWINE (continuing). And if the last half of this year the petroleum butadiene plants come in and produce at least as much butadiene as has been previously produced on a monthly basis from alcohol—

Mr. WHITMAN. Yes.

Mr. SOURWINE (continuing). You would then have, if you continued to use all of that butadiene in the rubber program, an expansion of the rubber program which would amount to an expansion of about 66 2/3 percent, wouldn't you?

Mr. WHITMAN. Over what? Over what's being produced today?

Mr. SOURWINE. Yes, sir.

Mr. WHITMAN. That may be. I couldn't quite follow you. My slide rule got rusty on that one.

Mr. SOURWINE. Well, just assuming that that may be, do you know any reason, or can you foresee any possible reason which will require a 50 or 60 or higher percent increase in the production of rubber?

Mr. WHITMAN. Now, this is a purely hypothetical question?

Mr. SOURWINE. Yes, sir.

Mr. WHITMAN. I can well conceive of military needs jumping to a point where the rubber program had to be expanded. I have no reason for believing yes or no that it will happen. I think you have got to ask the Rubber Director's office about that.

Mr. SOURWINE. All right, sir.

Other factors being equal, if you had a situation with regard to any material wherein you had a greatly expanded supply without a greatly expanded requirement, wouldn't you divert some of that production capacity to something else or shut it down all together?

Mr. WHITMAN. You wouldn't continue to build up surpluses if you had no idea that you were going to need them.

Mr. SOURWINE. All right, sir.

Now, alcohol for the rubber program is costing about 90 cents a gallon, isn't it?

Mr. WHITMAN. I have heard that figure.

Mr. SOURWINE. That's an average figure of the cost of alcohol, including the cost from so-called high-cost plants?

Mr. WHITMAN. It sounds reasonable.

Mr. SOURWINE. If you cut out those high-cost plants, you would reduce the average cost of alcohol, wouldn't you?

Mr. WHITMAN. Yes.

Mr. SOURWINE. If all of that alcohol, every last gallon of it, is not needed for the rubber program, it is an unnecessary expense to the Government to continue to buy the alcohol from those high-cost plants, is it not?

Mr. WHITMAN. You say if all of the alcohol is not needed?

Mr. SOURWINE. Yes, sir.

Mr. WHITMAN. You certainly wouldn't continue to produce to build up an unneeded surplus, that is correct.

Senator FERGUSON. Would you release the high prices first?

Mr. WHITMAN. I don't know, sir, if that would be the way to do it.

Mr. SOURWINE. If you were the auditor of a company and had no other considerations except saving money, you would do it, wouldn't you?

Mr. WHITMAN. If I was sheerly looking at the saving of money?

Mr. SOURWINE. Yes, sir.

Mr. WHITMAN. And that was the only thing I was looking at, probably so.

Mr. SOURWINE. Do you know what the relative cost of butadiene from petroleum and from alcohol is?

Mr. WHITMAN. No, sir; I don't.

Mr. SOURWINE. Do you have any idea of the general relation?

Mr. WHITMAN. Butadiene from alcohol made from grain at today's prices?

Mr. SOURWINE. Yes, sir.

Mr. WHITMAN. It is very expensive. I mean qualitatively there is no question about that.

Mr. SOURWINE. How about butadiene made from 90-cent alcohol—to use a figure?

Mr. WHITMAN. It is pretty expensive.

Mr. SOURWINE. How does that compare with butadiene made from petroleum?

Mr. WHITMAN. In all probability, in any good operating petroleum plant, the cost would be quite a lot less.

Mr. SOURWINE. By quite a lot, do you mean half or one-quarter?

Mr. WHITMAN. I don't want to go any further because I haven't got the cost figures. I just say qualitatively it would be a lot less.

Mr. SOURWINE. Do you know what it would cost to produce a pound or a ton of butadiene from petroleum?

Mr. WHITMAN. No, I don't.

Mr. SOURWINE. Not even approximately?

Mr. WHITMAN. Much more can be gained by talking to the Rubber Director's office on this matter.

Mr. SOURWINE. I think so, but I wanted to get that much foundation.

The CHAIRMAN. There is no harm to find out what you know and what you don't know, and the dividing line is decidedly very great.

Mr. WHITMAN. You find out I don't know very much, don't you?

The CHAIRMAN. I find out you know quite a bit, between your rule and yourself.

Senator FERGUSON. Doctor, you gave me that order of the W. P. B. limiting the amount of alcohol that came in from Cuba. Now, we were speaking about neutral spirits.

Mr. WHITMAN. We are speaking about alcohol of any beverage type.

Senator FERGUSON. Yes; that is neutral spirits it is called, isn't it, ethyl alcohol?

Mr. WHITMAN. It can be neutral spirits, it can be rum, it can be so-called gin.

Senator FERGUSON. Wait; does the order limit the amount of rum that can come in?

Mr. WHITMAN. Yes.

Senator FERGUSON. I didn't so understand.

Mr. WHITMAN. Yes; it does. It limits the amount of beverage alcohol from cane spirits.

Mr. SOURWINE. Exclusive of rum over 3 years old?

Mr. WHITMAN. Yes. And Cuba hasn't any 3-year-old authenticated rum.

Mr. SOURWINE. You weren't giving them very much when you turned loose on that 3-year-old rum, then, were you?

Senator FERGUSON. Will you read the order?

Mr. WHITMAN. Yes.

And this is the essential point, Beverage cane spirits, to which this order refers:

Beverage cane spirits means ethyl alcohol of 50 proof or higher made from molasses, sugar, sugarcane or sugarcane juice and produced for beverage purposes, or tax paid for beverage purposes.

That is what we are talking about and it might be made as rum, as gin—

Senator FERGUSON. What is the content of rum, the alcoholic content?

Mr. WHITMAN. Well, rum, as pointed out in the proofs on the bottles, is about the same proof as whisky, as I understand it, around 82 to 86.

Senator FERGUSON. What is gin?

Mr. WHITMAN. The same order.

Senator FERGUSON. So it all comes within this?

Mr. WHITMAN. Yes.

Senator FERGUSON. Now, what is the limitation?

Mr. WHITMAN. The limitation is to the effect that it is a restriction on the importation of beverage cane spirits.

Senator FERGUSON. Now, what is the limitation on the importation?

Mr. WHITMAN. The limitation on the importation, in the case of Cuba, is 14,300,000 proof gallons during the calendar year 1944.

Senator FERGUSON. In other words, they can bring in rum and gins to the amount of 14,000,000—

Mr. WHITMAN (interposing). Fourteen million three hundred thousand.

Senator FERGUSON. Fourteen million three hundred thousand.

Mr. WHITMAN. Proof gallons.

Senator FERGUSON. Proof gallons.

Mr. WHITMAN. In the calendar year 1944.

Senator FERGUSON. Yes. Now, what did they bring in in 1943?

Mr. WHITMAN. Fourteen million three hundred thousand.

Senator FERGUSON. The same amount?

Mr. WHITMAN. Yes.

Senator FERGUSON. You limited it to the same amount?

Mr. WHITMAN. Yes.

The CHAIRMAN. Does that order affect privately owned spirits or privately owned liquors in Cuba?

Mr. WHITMAN. Yes; it does.

Now, about two-thirds of that amount had already been imported into the United States by the time our order went into effect March 15.

Senator FERGUSON. Well, now, you said Cuba didn't have anything to do with this order finally.

Mr. WHITMAN. I didn't say that. I said that the Cubans certainly did not initiate the request that it be put in.

Senator FERGUSON. Well, is that the reason that Cuba wanted to get a limitation that we would not use any of her alcohol to free our facilities to make beverage alcohol? Because you did put this limitation on it?

Mr. WHITMAN. I would like to bypass that question and suggest that the Foreign Economic Administration, who conducted the negotiations, be consulted.

Senator FERGUSON. You have no judgment on that?

Mr. WHITMAN. I was not down in Habana when this negotiation was being made.

Senator FERGUSON. You don't think all this was conducted in Havana? You don't think our people went to Habana to conduct all this negotiation, do you?

Mr. WHITMAN. Yes; they did.

Senator FERGUSON. They did?

Mr. WHITMAN. Yes.

Senator FERGUSON. They didn't do it here?

Mr. WHITMAN. Some of it was done here.

The CHAIRMAN. Were you consulted during the negotiations or before?

Mr. WHITMAN. Yes, sir; we were consulted prior to the negotiations.

The CHAIRMAN. Was that consultation by correspondence in any way? Did correspondence enter into it?

Mr. WHITMAN. Yes, sir; and you have asked that we supply the pertinent correspondence.

The CHAIRMAN. That is what I want. Thank you, sir.

Mr. SOURWINE. Dr. Whitman, turning to a different tack, when you speak of stocks of alcohol, I think it is pretty clear what you mean, but for the record at this point would you mind going over it just once more?

When you speak of stocks of alcohol, what do you mean?

Mr. WHITMAN. I am usually speaking of the Government stocks of alcohol which constitute the amounts owned by Defense Supplies Corporation, and includes the amount of 190 proof held at the synthetic rubber plants, the lend-lease terminals, and the arsenals.

Mr. SOURWINE. Is your figure on stocks built up by the addition of totals on hand in each of those various categories, or is it the result of some other mathematical computation?

Mr. WHITMAN. It is totals on hand obtained presumably by the gaging of the tanks, information collected by Defense Supplies Corporation, and transmitted to us.

Mr. SOURWINE. It is really a figure on how much is here, plus how much is there, plus how much is yon?

Mr. WHITMAN. Yes, sir.

Senator FERGUSON. Might I interrupt again? I want to get this clear.

The CHAIRMAN. Yes.

Senator FERGUSON. This 14,300,000, that is gallons; isn't it?

Mr. WHITMAN. Proof gallons.

Senator FERGUSON. Proof gallons?

Mr. WHITMAN. Yes.

Senator FERGUSON. And that is 100 proof?

Mr. WHITMAN. That is 100 proof.

Senator FERGUSON. Now, isn't it true that if you allowed the neutral spirits to come in, 190 proof, that our manufacturers here, by diluting it with water and making it 86 proof, would make many more gallons than this if you hadn't put a limitation on it?

Mr. WHITMAN. Let me see if I get the question.

If we had not put a limitation on importations from Cuba?

Senator FERGUSON. Yes; of neutral spirits.

Mr. WHITMAN. Well, of course, our limitation is on all beverage, whether it be neutral spirits or not. If we had not put a limitation on, it certainly is true that more would have come up.

Senator FERGUSON. Yes; but isn't it true that very little neutral spirits is coming in under this, that they are shipping now 14,300,000 gallons of 100-proof rum and gins and whatever they do ship?

Mr. WHITMAN. I think you are correct in this point. I don't want to answer categorically "Yes" to your question, but in all probability the material which comes up to us will be rum rather than neutral spirits and gins.

I would like again to point out that two-thirds of all of the quota for the whole year apparently came in before the limitation order went into effect, so that all we are dealing with is the fairly small remainder in terms of our control for the rest of the year.

Senator FERGUSON. So the order actually does limit the amount of alcohol that could be brought in, so that if we diluted it as they do—

Mr. WHITMAN (interposing). It limits the total amount of alcohol. Senator FERGUSON (continuing). We would make many more gallons of alcohol; in fact, two for one; would we not?

Mr. WHITMAN. It limits the total amount of alcohol expressed as a hundred proof, and it is up to the Cubans as to whether they elect—I mean, the Cubans and our own importers—as to whether they elect to have it come in mostly as rum or mostly as neutral spirits, or mostly as gin.

Senator FERGUSON. Yes.

Mr. WHITMAN. And the probabilities are that it will come in primarily as rum.

The CHAIRMAN. Could they cut it and bring in more in quantity?

Mr. WHITMAN. No; because the—

The CHAIRMAN (interposing). It has to be so many gallons the equivalent of 100 proof?

Mr. WHITMAN. What we are talking about is the amount of beverage in terms of its alcoholic content—realize, that when you talk about the proof spirits and say 14,300,000 gallons of proof spirits, if they elected to bring that in in the form of 190-proof alcohol, they wouldn't bring in 14,300,000 gallons.

Senator FERGUSON. What does your rule say?

Mr. WHITMAN. Seven and a half million gallons.

The CHAIRMAN. That is why I asked the question, Could they cut the spirits, 100 proof, and bring it down to potable beverage and bring in a greater quantity?

Mr. WHITMAN. Well, if they brought in, let's say, 90 proof rather than 100 proof—

Senator FERGUSON (interposing). Say, 87 proof.

Mr. WHITMAN. All right, 87 proof; instead of bringing in 14,300,000 gallons—physical gallons—they would be bringing in 16,400,000.

The CHAIRMAN. That is what I wanted to know.

Mr. WHITMAN. But for the accounting of it, it is always accounted for as a proof gallon.

The CHAIRMAN. But it may be resulting in a greater quantity of liquor?

Mr. WHITMAN. I don't think so, because the physiological effect depends upon the amount of alcohol there, and if you dilute it with an equal amount of water, why, it gives half the effect.

The CHAIRMAN. Well, the average cane beverage doesn't run 100 proof?

Mr. WHITMAN. No.

The CHAIRMAN. It runs along about 87, if I am correctly advised?

Mr. WHITMAN. Yes.

Senator FERGUSON. Well, this really has to come up now in packaged goods, taking much greater shipping and different kind of shipping than it would if it came in as a neutral spirit and would take much less space to get the same amount of alcohol here?

Mr. WHITMAN. Well, sir, the neutral spirits that came up—I believe I am correct in saying—came up primarily in the very small vessels which are too small to be under the control of the War Shipping Administration.

In fact, all of this beverage, I think substantially all of this beverage movement, whether it be in the form of neutral spirits or gins or rums, has been in the very small vessels of less tonnage than is in the interest of the War Shipping Administration.

Senator FERGUSON. Why did you limit it again if it didn't interfere with War Shipping Administration? It came in the old runners' boats, did it?

Mr. WHITMAN. I don't know, but they were small boats.

The reason it was limited, sir, was because the Foreign Economic Administration said to us, "We can't get you the amounts of molasses and alcohol that you ought to be able to get from Cuba if you don't put in some restriction that prevents the Cubans from making unlimited amounts of it."

Senator FERGUSON. Of neutral spirits?

Mr. WHITMAN. Of drinking beverage, whether it be neutral spirits, rum, or gin.

In other words, the molasses would be diverted into beverage instead of being conserved for our industrial alcohol program.

Senator FERGUSON. Does the O. P. A. regulate the price, or attempt to regulate the price that these distillers can go to Cuba and buy rum for?

Mr. WHITMAN. I don't know. I doubt whether it regulates the price they can pay in Cuba, but I am sure it regulates the price they can get for it back here.

The CHAIRMAN. That is, legitimately.

Mr. SOURWINE. Mr. Chairman, may I make an interesting statement at this point?

The CHAIRMAN. Yes.

Mr. SOURWINE. Putting myself in the role of witness, but it is something that is common knowledge.

The ceiling prices here are based on the cost to the importer, so that actually, under ceiling prices, imported cane spirits sell for more than new whisky made in this country would, and the more cane spirits you put in the bottle, the more you can sell it for, and the higher dollars and cents profit there is in selling.

Mr. Chairman, I have a line of inquiry here, which by hurrying will take about 45 minutes.

I understand that you are anxious to get through before then. Perhaps we had better not start it.

The CHAIRMAN. I must conclude because of other matters.

So we will now suspend. I shall have to advise you of the date when we will resume, next week, I believe.

(Whereupon, at 4:15 p. m., the committee adjourned.)

LIQUOR INDUSTRY

THURSDAY, MAY 11, 1944

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met, pursuant to call, at 10 a. m., in room 457, Senate Office Building, Senator Pat McCarran (chairman) presiding. Present: Senators McCarran (chairman), Murdock, and Ferguson. Also present: J. G. Sourwine, committee counsel.

The CHAIRMAN. The committee will come to order.

You may proceed, Mr. Sourwine.

STATEMENT OF WALTER G. WHITMAN—Resumed

Mr. SOURWINE. Mr. Chairman, I believe Dr. Whitman has brought with him this morning certain material that the committee asked for at the prior hearing and would like to present it at this time.

The CHAIRMAN. You may make such statement as you may see fit, to explain the material, Doctor.

Dr. WHITMAN. Yes, sir.

I am presenting to you now a letter from Mr. Nelson, dealing with the question of petitions which have been submitted to the War Production Board in connection with beverage production. I am submitting also to you a letter from me which contains certain statistical information that was requested by the committee.

The CHAIRMAN. Thank you.

Do you want these letters to go in the record, Mr. Sourwine?

Mr. SOURWINE. I believe they should go in, Mr. Chairman.

The CHAIRMAN. The letter from Mr. Nelson addressed to myself, dated May 10, will be inserted in the record, with the enclosure, and also the letter from Dr. Whitman, addressed to myself, under date of May 11.

(The letters referred to are as follows:)

WAR PRODUCTION BOARD,
Washington, D. C., May 10, 1944.

HON. PAT MCCARRAN,
Chairman United States Senate Committee on the Judiciary,
Washington, D. C.

DEAR SENATOR MCCARRAN: In accordance with the request made at the hearings held on May 4 before your committee, I am transmitting herewith an excerpt from the minutes of the November 19, 1942, meeting of the War Production Board "Industrial Alcohol Producers Industry Advisory Committee" containing that committee's recommendation to us with respect to a vacation from Government production of high-proof alcohol. This recommendation has been continuously before us and, as I explained at the hearings, informal representations to the same effect have been made from time to time by members of the industry. War Production Board has also been advised of the recent communication by the

Distilled Spirits Institute, Inc., to you with respect to some resumption of beverage distillation.

In addition to these recommendations of the distilling industry we have received over the past year or more many resolutions or recommendations for a "whisky holiday" from those engaged in the wholesale and retail liquor trade. Included among this group are the following: Massachusetts on Premise Liquor Dealers Council; Boston Retail Liquor Dealers Association; Tavern League of Wisconsin; Tavern Association of Ohio, Michigan, Illinois, Wisconsin, and Missouri; Illinois State Retail Liquor Dealers Association; Southern California Tavern Association; Allegheny (Pa.) County Retail Liquor Dealers Association; New York State Restaurant Liquor Dealers Association, Inc.; Missouri Wholesale Liquor Dealers Association, Inc.; New Jersey Licensed Beverage Association.

I might add that we have received many communications from individuals some of whom favored limited resumption of beverage liquor production and others who did not.

We do not find that any formal application has been made to us by the distilling industry or by the War Food Administration, who has had responsibility for and supervision over beverages since last summer, to have whisky and similar alcoholic beverages declared to be essential. However, as I mentioned at the hearings, members of the industry—both the distillers and others in the trade—have represented to us that it was essential, in their opinion, to resume beverage production as soon as it could be done without injury to the war effort.

Sincerely,

DONALD M. NELSON, *Chairman.*

INDUSTRIAL ALCOHOL PRODUCERS,
INDUSTRY ADVISORY COMMITTEE,
November 19, 1942.

VACATION FROM GOVERNMENT PRODUCTION

Committee members submitted a recommendation on vacation from Government production of high-proof alcohol. The recommendation, made to the Chemicals Division and to the Beverage and Tobacco Division, is as follows:

Whereas during the early days of the defense program and before the war program, the beverage distilling industry volunteered its facilities for use in the production of alcohol, and

Whereas the industry has proceeded in a movement of voluntary conversion of its plants equipped to produce alcohol, and

Whereas said voluntary conversion program has proceeded to the point that has made possible amendment of War Production Board Conversion Order M-69 so as to take the entire output of the industry so long as needed instead of taking partial production of the industry month to month by individual directive. Now, therefore, looking to the future,

The beverage distilling industry hereby suggests to the Chemical Division and the Beverage and Tobacco Division of the War Production Board that the following suggestions, recommendations and views be submitted to the proper War Production Board officials.

1. That the industry is glad to continue to produce all of the alcohol that it can for war purposes.

2. That if, as and when the stocks and supplies of alcohol make it unnecessary that all facilities of the industry can be used for alcohol production making possible return of the plants temporarily to beverage production the War Production Board consider the following:

(a) That in order to produce beverage whisky, it is necessary that proper cooperage be available; that the cooperage plants are not now operating and that it will take time to assemble manpower and supplies in order to produce the necessary cooperage. Therefore, the War Production Board if possible should announce at least 60 days ahead of the time when the plants may go back to beverage use the date when and the time during which beverage production will occur.

3. That if, as and when beverage spirits are produced the same treatment be afforded plants that have rectifying columns in them as is given to plants in which there are no such columns.

4. That if, as and when such beverage production occurs, each distillery be permitted to operate simultaneously the same number of days.

WAR PRODUCTION BOARD,
Washington, D. C., May 11, 1944.

HON. PAT MCCARRAN,

United States Senate, Washington, D. C.

DEAR SENATOR MCCARRAN: I transmit to you herewith the following tables:¹ giving information which was requested of us at earlier hearings of your committee:

1. Past usage of ethyl alcohol for toiletries and cosmetics.
2. Ethyl alcohol for antifreeze.
3. Methanol production.
4. Ethylene glycol.
5. Antifreeze production.
6. Receipts of Caribbean molasses in the first 4 months of 1944.

A revised distribution of ethyl alcohol in the indirect military and essential civilian categories is being calculated. It appears now that the distribution will not differ significantly from the estimates of last January which Mr. Nelson presented last week to your committee.

As regards the carry-over of civilian antifreeze this spring we are advised that producers' stocks were nearly exhausted. The only estimate of distributors' stocks we have been able to secure is about five to six million gallons.

Sincerely,

WALTER G. WHITMAN,
Assistant Director, Chemicals Bureau.

Dr. WHITMAN: May I also request that a correction be made in my testimony on page 1138, which dealt with the calculation of the sugar equivalent for the blackstrap molasses that we expected to go into industrial alcohol.

I gave a figure of 340,000 tons, and I would like to correct it to 440,000, if there is no objection.

The CHAIRMAN: The correction will be made.

Dr. WHITMAN: I would add, sir, in connection with the letters which Mr. Nelson is going to give you about the restriction on importation of beverage cane spirits, that those letters have been assembled and are being prepared for later submittal to the committee.

The CHAIRMAN: Very well.

Dr. WHITMAN: We have not yet had an opportunity to fully check the data on the importations from Cuba by various importers but will attempt to get something to you later on that point.² We would prefer not to submit premature data which might have to be later adjusted.

Mr. SOURWINE: Will that come in within a few days, Dr. Whitman?

Dr. WHITMAN: I would hope so. I believe that finally it may have to come from Tariff rather than from ourselves, because that is the source of our information.

Mr. SOURWINE: But you are going to follow it down and get it for us?

Dr. WHITMAN: Yes; or else refer you directly to tariff, if it turns out that that is the way to do it.

I would like to also make a short statement in connection with the ethylene glycol figures from the military, which Mr. Sourwine requested. It appears from our study that the figures which he received were all right, but they were not complete as far as the total amounts which are taken by the military.

Mr. SOURWINE: Well, you are going to go a little further with that statement and give us what you say the right figures are?

Dr. WHITMAN: I can give you the combined military and lend-lease, which for the year 1943 is roughly 9,000,000 gallons.

¹ These tables appear at the points in the record where the material was requested.

² No further data in this regard was submitted.

Mr. SOURWINE. Are we lend-leasing ethylene glycol too?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Am I to understand that the figures that were issued on use by the military of ethylene glycol were in error?

Dr. WHITMAN. I believe they were correct so far as they went, but they did not include all the purchases by the military themselves and by the military for lend-lease. That is just so that you will know that there is additional ethylene glycol that falls in the direct military category.

There is additional ethylene glycol.

Mr. SOURWINE. I think it would be well if you could submit a figure on how much more there is.

Dr. WHITMAN. Well, sir; in this set of data which I have given to Senator McCarran this morning there is our rough break-down of the 1943 ethylene glycol usage.

Mr. SOURWINE. I see. Does that complete the material you had to submit?

Dr. WHITMAN. Yes, sir; except one other point.

You brought up the issue of a discrepancy between the figures of F. E. A. and Treasury Procurement in connection with lend-lease shipments during the first quarter. I think that that could be explained by Treasury and F. E. A., but I think that basically it is a difference between when they take their figures into account.

For example, there were certain ships being loaded on the 1st of January. In one case that would be in the 1944 figures, and in another case it would be in the 1943 figures. So that it is not unusual at all to find discrepancies of that type between agencies whose figures are not kept for exactly the same purpose.

That is all; sir.

Mr. SOURWINE. All right, Dr. Whitman.

Since we have had a lapse of about a week, I will begin by asking one or two foundation questions to get us into the subject of stock piles, which I want to talk about first today.

When you speak of stocks of alcohol, what do you mean, Dr. Whitman?

Dr. WHITMAN. I am speaking generally of the Government stocks of alcohol owned by Defense Supplies Corporation, and including stocks in the butadiene and styrene plants, and in the arsenals and lend-lease terminals.

Mr. SOURWINE. Is your figure on stocks built up by the addition of totals on hand in each of these categories, or is it the result of some other computation?

Dr. WHITMAN. The first; sir.

Mr. SOURWINE. That is; to get the total figure on stocks as of a certain date, you add first the amount of alcohol on hand owned by the Defense Supplies Corporation—in other words, leased or owned alcohol on that date?

Dr. WHITMAN. Yes.

Mr. SOURWINE. And to that you add the amount held at arsenals and chemical warfare depots?

Dr. WHITMAN. Yes.

Mr. SOURWINE. And to that you add the amount held in the rubber plants?

Dr. WHITMAN. Yes. That is all added by Defense Supplies Corporation.

Mr. SOURWINE. Yes. And to that you add stocks at lend-lease terminals?

Dr. WHITMAN. Correct.

Mr. SOURWINE. Now, do you add anything else?

Dr. WHITMAN. I believe that covers the categories, sir.

Mr. SOURWINE. How about alcohol in the hands of producers, Dr. Whitman?

Dr. WHITMAN. Only if Defense Supplies Corporation has taken title to that alcohol.

Mr. SOURWINE. If Defense Supplies Corporation has taken title, you can include that in the amount of the Defense Supplies Corporation figure?

Dr. WHITMAN. Yes. Remember that when I say "I do," actually Defense Supplies Corporation does this and submits the figures.

Mr. SOURWINE. You take the Defense Supplies Corporation figures?

Dr. WHITMAN. Yes.

Mr. SOURWINE. It was my understanding, Dr. Whitman, that the Defense Supplies Corporation did not include in their figure of owned alcohol any alcohol at the plants of producers, that they take delivery in tank cars, and even though it is held for their account at a plant, they do not include it in their figure until delivered on board a tank car, and then they may add it to their stocks.

Dr. WHITMAN. That may be. At certain producer plants, I believe Defense Supplies also has some leased storage, and, of course, such alcohol would be included in their stock figure.

Mr. SOURWINE. Now, how about alcohol in transit?

Dr. WHITMAN. That is not included.

Mr. SOURWINE. How about stocks of alcohol in the hands of commercial users?

Dr. WHITMAN. That is not included.

Mr. SOURWINE. How about stocks of denatured alcohol?

Dr. WHITMAN. I think that Defense Supplies Corporations owns some denatured alcohol which is included.

Mr. SOURWINE. Which is included?

Dr. WHITMAN. Yes; in the stocks.

Mr. SOURWINE. Doctor, when you say so much alcohol was in the stock pile on a certain date, you are referring to alcohol that was physically present in the United States somewhere on that day; are you not?

Dr. WHITMAN. That is correct.

Mr. SOURWINE. Is it correct that on January 3 of this year you reported that alcohol production for 1942 was 297.5 million gallons?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Does that same report show that 1942 alcohol requirements totaled 226,000,000 gallons?

Dr. WHITMAN. Yes.

Mr. SOURWINE. The excess of production over requirements during 1942 was then 71.5 million gallons; is that right?

Dr. WHITMAN. I would guess so; yes. Just a minute.

Mr. SOURWINE. Surely, sir.

Dr. WHITMAN. Yes.

Mr. SOURWINE. The acquisition of this stock pile was begun in the late spring of 1942?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Did your report on January 3 give the total of alcohol stocks on December 31, 1942, as 64.2 million gallons?

Dr. WHITMAN. Yes.

Mr. SOURWINE. If the excess of production over consumption was 71.5 million gallons, how was it there were only 64.2 million gallons in the stock pile at the end of the year?

Dr. WHITMAN. The most probable explanation is a variation in stocks held in commercial hands.

Mr. SOURWINE. Can you go a little further with that?

Dr. WHITMAN. Yes.

Mr. SOURWINE. We are trying to find out what became of some 7,000,000 gallons of alcohol.

Dr. WHITMAN. Yes. In the first place, remember that 1942, as I have previously explained, has been difficult to get fully reliable information on, because the collection of statistics was much weaker at that time than it is today. What we are putting down as production is the total production of the country, whether it goes into Defense Supplies' hands, or whether commercial producers keep it themselves and distribute it. The only condition under which you would have an absolute check of the difference between production and usage and the change in stock pile would be if the stocks in the hands of the commercial producers changed not at all over that period.

Now, as of those days we did not have stocks in the hands of commercial producers. We knew that they were low, but we did not attempt to follow just how those were changing and a difference of 7,000,000 gallons in the stocks of the commercial producers would account for that difference.

Mr. SOURWINE. You mean that might indicate an increase of 7,000,000 gallons in stocks in the hands of producers from the beginning of 1942 to the end of 1942?

Dr. WHITMAN. Yes. The chances are very good that that is not the whole explanation, but that that is a partial explanation of it. I might say this, that each month we compare the difference between our stock-pile change and the difference between production and usage. Very seldom do they check on the nose. The only time they check on the nose is our prediction of what is going to happen in the future, and, of course, we have no other basis.

Mr. SOURWINE. Since that is a matter of computation, it must balance.

Dr. WHITMAN. Yes. But if you will look back through the past, you will find very few months in which we got an absolute check of the change in stock pile versus the difference between production and requirements, and you can see that any change in commercially held stocks would itself prevent you from getting such a balance.

Mr. SOURWINE. But you have very little question about your latest revised figure on production in 1942?

Dr. WHITMAN. Not much question; no.

Mr. SOURWINE. It is not 7,000,000 gallons off or 1,000,000 gallons off?

Dr. WHITMAN. Oh, I wouldn't say that it couldn't be a million gallons off. I would say that our figures might be several million gallons off for 1942.

Mr. SOURWINE. You did better in 1943, didn't you, Doctor?

Dr. WHITMAN. I think we did, but I do not like to guarantee the absolute accuracy of these figures.

Mr. SOURWINE. How about requirements for 1942. Would that perhaps be several millions of gallons off, also?

Dr. WHITMAN. It might be; yes.

Mr. SOURWINE. That is a use figure now?

Dr. WHITMAN. That is correct.

Mr. SOURWINE. Then there is still some doubt in your mind whether there is 71.5 million gallons difference between production and use in 1942; there is still some question in your mind whether there actually was that much surplus of alcohol?

Dr. WHITMAN. Yes; I wouldn't pin much faith on that particular 7,000,000-gallon figure.

Mr. SOURWINE. Your stock-pile figure might be right?

The CHAIRMAN. Is it 7 or 70?

Dr. WHITMAN. The discrepancy, sir, was 7,000,000 gallons between the calculation and the other way.

The CHAIRMAN. I see.

Mr. SOURWINE. Subtracting, Senator, the use from production, you get the balance of 71½ million gallons.

The CHAIRMAN. Yes.

Mr. SOURWINE. And the stock pile only grew to 64.2 million gallons.

The CHAIRMAN. I see.

Mr. SOURWINE. Dr. Whitman, according to the same report on January 3, did you give alcohol production for 1943 as totaling 451,000,000 gallons?

Dr. WHITMAN. Yes, sir.

Mr. SOURWINE. Including 228,000,000 gallons from beverage plants, 148,000,000 gallons from industrial plants, 56,000,000 gallons from synthetic plants, and 5,000,000 gallons from new plants, and 14,000,000 gallons from imports; is that right, sir?

Dr. WHITMAN. Yes, sir.

Mr. SOURWINE. According to a War Production Board press release under date of April 15 of this year, which quoted you, industrial-alcohol requirements in 1943 totaled 428½ million gallons; is that right, sir?

Dr. WHITMAN. Yes, sir.

Mr. SOURWINE. Subtracting that figure of the requirements from the production figure, you have a difference of 22½ million gallons representing the excess of production over requirements. Is that right, sir?

Dr. WHITMAN. Yes, sir; I believe you are correct.

Mr. SOURWINE. Now, your January 3 report, this year, showed that total stocks on December 31, 1943, were 79.7 million gallons; is that right?

Dr. WHITMAN. Yes.

Mr. SOURWINE. This same report showed stocks on December 31, 1942, as 64.2 million gallons—the figure we have just referred to.

Dr. WHITMAN. Yes.

Mr. SOURWINE. The difference between stocks at the end of 1942 and at the end of 1943, according to your report, amounted, therefore, to 15½ million gallons. Is that right?

Dr. WHITMAN. That is correct.

Mr. SOURWINE. But we have just seen that supplies exceeded requirements by 22½ million gallons. What happened to the other 7,000,000 gallons in 1943?

Dr. WHITMAN. I think the probable explanation is about what it was for the year 1942.

Mr. SOURWINE. It is just a coincidence that it is 7,000,000 gallons each year?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Or perhaps that might statistically indicate a margin of error in the figure?

Dr. WHITMAN. It might. On the other hand, there is a very definite factor, namely, the stocks held in commercial hands, which we recognize varies to some extent.

Mr. SOURWINE. You do not include those figures in your stock-pile totals?

Dr. WHITMAN. That is correct.

Mr. SOURWINE. Now, your figure on total alcohol production—

Dr. WHITMAN. May I interrupt?

Mr. SOURWINE. Surely. Excuse me.

Dr. WHITMAN. I would like to point out that because that variation does exist, one should not expect these two figures to check on the nose. If they did it would be purely fortuitous.

Mr. SOURWINE. Your figure on total alcohol production during 1943, exclusive of imports, was 437,000,000 gallons. Is that right, sir?

Dr. WHITMAN. 1943?

Mr. SOURWINE. Yes, sir.

Dr. WHITMAN. I am afraid I lost that question.

Mr. SOURWINE. You had a total supply of 451,000,000 gallons, of which 14,000,000 gallons was imports?

Dr. WHITMAN. Yes.

Mr. SOURWINE. That left 437,000,000 gallons as total alcohol production during 1943.

Dr. WHITMAN. Yes. Those are our January 3 figures. Correct.

Mr. SOURWINE. You can arrive at the same figure, not by subtracting imports from the total but by adding up the factors which we spoke about a few moments ago.

Dr. WHITMAN. Yes.

Mr. SOURWINE. The Bureau of Internal Revenue has reported net alcohol production for 1943 as 437.3 million gallons, which appears to check very closely with your total, Doctor. Was this figure based on the Alcohol Tax Unit's report?

Dr. WHITMAN. Yes.

Mr. SOURWINE. You didn't arrive at it independently?

Dr. WHITMAN. With this exception, that for the immediate preceding month we take our own figures, and about 2 months later we adjust them to the figures which we are able to get from the Alcohol Tax Unit, so that at any particular time we are up to date with our own figures, but the last 2 or 3 months may have to be adjusted subsequently to fit the data of the Alcohol Tax Unit.

Mr. SOURWINE. You assume, then, that the Alcohol Tax Unit's figures are more basically sound than your own?

Dr. WHITMAN. We accept those finally as the official production figures.

Mr. SOURWINE. Now, your total included 228,000,000 gallons produced by beverage plants; is that right, sir?

Dr. WHITMAN. Yes, sir.

Mr. SOURWINE. When you say "beverage plants," do you mean registered distilleries?

Dr. WHITMAN. Yes. I would like to point out, in addition, that some of the alcohol which is made in what we call new plants represents alcohol that came from authorized expansion of beverage distilleries. So that the total amount produced from a beverage distillery which had just gone through an expansion would be tabulated part as regular beverage plant and part of it as new plants.

Mr. SOURWINE. Now, Doctor, the Alcohol Tax Unit reported gross production at registered distilleries during 1942, including production by redistillation, as 93.9 million gallons of industrial alcohol at 190 proof.

Dr. WHITMAN. 93.9.

Mr. SOURWINE. Plus unfinished spirits equivalent to 116.4 million gallons of alcohol at 190 proof. How do you reconcile those figures?

Dr. WHITMAN. This was what year?

Mr. SOURWINE. 1943.

Dr. WHITMAN. I cannot reconcile them at the moment, but I can tell you where such a discrepancy might well occur. I know that certain distilleries have licenses as both industrial alcohol plants and as registered distilleries. There may be a difference in the way we selected a plant, as to whether it was to be called a beverage distillery or an industrial alcohol plant.

Mr. SOURWINE. In other words, if you carried a plant in industrial alcohol where A. T. U. carried it in registered distilleries, their total for industrial alcohol would be higher and your figure would be lower?

Dr. WHITMAN. Yes, sir. As you pointed out, the over-all total figure for the country checks, as it should, the A. T. U. figure.

Mr. SOURWINE. Now, your total production figure included 145,000,000 gallons from industrial plants. Is that right, sir?

Dr. WHITMAN. I believe so. You have added those up and I will accept that.

Mr. SOURWINE. The Alcohol Tax Unit reports a production of 271,000,000 gallons at industrial alcohol plants, including production by redistillation. How do you reconcile those two figures?

Dr. WHITMAN. Well, the synthetic alcohol plants were, of course, included in the A. T. U. figure as industrial alcohol, and of course, we have separated synthetic alcohol from the other industrial alcohol plants.

Mr. SOURWINE. What was the production from synthetic, Doctor, in 1943?

Dr. WHITMAN. In 1943, the production from synthetic was 56.4 million.

Mr. SOURWINE. That should be added to the 145,000,000 gallons from industrial plants, then, to get a figure that is comparable with the A. T. U. figure for industrial plants?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Coming out 204.3 million gallons.

Dr. WHITMAN. Yes.

Mr. SOURWINE. That is still a good deal below the A. T. U. figure of production of 271,000,000 gallons, including redistillation. Do you think the redistillation figure makes all of that difference?

Dr. WHITMAN. I would want to go into the tabulation of which particular plants the A. T. U. includes in one and another list. I think you will agree with me, sir, that by the time it came out we would find ourselves with the same total situation, because we are taking the A. T. U. total production figures.

Mr. SOURWINE. You are taking the A. T. U. total production figures?

Dr. WHITMAN. Yes. So that the only difference could be a difference in the categories into which individual plants were put.

Mr. SOURWINE. Doctor, what was the total of Government alcohol stocks on April 15 of this year?

Dr. WHITMAN. 87½ million.

Mr. SOURWINE. I have a figure here of 87,538,000 gallons; that is what you mean?

Dr. WHITMAN. That is correct. I often round it off to the nearest million, and would normally call that 88,000,000 gallons.

Mr. SOURWINE. What does that include? Do you know the components of those stocks?

Dr. WHITMAN. That was 190 proof alcohol.

Mr. SOURWINE. Yes, sir; but I mean, do you know how much was owned in storage by the Defense Supplies Corporation?

We have listed here earlier the factors which you have added in.

Dr. WHITMAN. I don't know that these figures ought to come out in a public hearing. They were given to us confidentially. They represent the volumes of alcohol stored all over the country. In certain points there are rather tremendous concentrations of alcohol. They are given to us in confidence and I don't know that that ought to come out at a public hearing.

Mr. SOURWINE. I will take that responsibility. They are furnished to us without any seal of confidence. I don't know that it is material, but since I have them here, let's put them in the record.

Dr. WHITMAN. Since they are always furnished to us in confidence, I wonder perhaps if it wasn't a slip and in the interest of public safety, it might be desirable for you to check with Defense Supplies before you put them in the record.

Mr. SOURWINE. Haven't you given those figures publicly, Doctor?

Dr. WHITMAN. Not so far as I know.

Mr. SOURWINE. You have never testified to them as of a given date?

Dr. WHITMAN. I don't think so.

Mr. SOURWINE. W. P. B. never put them in a release?

Dr. WHITMAN. I think that is correct.

Mr. SOURWINE. I have been checking every 2 weeks on those figures and they have always been given to me over the telephone without any seal of confidence. I have made written requests for them and received them in writing without any request that they be held in confidence.

Dr. WHITMAN. This is a question for your judgment, and I am merely saying that I would advise you to check with Defense Supplies before you put them into the record, but it is up to you.

Mr. SOURWINE. Mr. Davis, will you call the Defense Supplies Corporation and ask if they have any objection to our putting into the record the figures which Mr. Sabin has furnished on stocks of alcohol and the break-down of where it is held.

Dr. WHITMAN. I would almost go a little further and say that, as a W. P. B. official responsible for alcohol, I question the wisdom of releasing publicly the amounts of alcohol stocks held at various points in the country.

Senator MURDOCK. Who is responsible for the policy, you or the Defense Supplies?

Dr. WHITMAN. Defense Supplies Corporation is responsible for the policy, and if they say release it, I have nothing to say about it.

Mr. SOURWINE. Except, as you say, in your opinion it is unwise?

Dr. WHITMAN. That is correct.

Mr. SOURWINE. We will pass that point for a moment, sir.

Have you any figure on the amount of alcohol in the hands of commercial users?

Dr. WHITMAN. Yes. I think we testified that that was 20,000,000 gallons, or a little less, according to our best estimate. I don't have that with me.

Mr. SOURWINE. That is in the hands of commercial users?

Dr. WHITMAN. That is in the hands of the producers. By the time it has been denatured and goes out into the drug stores, and so forth, we don't attempt to try to have any figure on the inventory which is held in retail.

Mr. SOURWINE. My original question was: Have you any figure on the amount of alcohol in the hands of commercial users?

Dr. WHITMAN. Didn't I answer it for you, sir?

Mr. SOURWINE. If you want to stand by that answer, that is fine, sir.

Dr. WHITMAN. All right.

Mr. SOURWINE. I understood you to say a moment ago that that was the amount in the hands of producers, which is a different thing, isn't it?

Dr. WHITMAN. Oh, yes. I will stand corrected.

Mr. SOURWINE. Well, do you have any figure on the amount of alcohol in the hands of commercial users?

Dr. WHITMAN. Partial, because it so happens that some of the producers are themselves among the largest users of alcohol.

Mr. SOURWINE. Yes?

Dr. WHITMAN. So that, to that extent, we do.

Mr. SOURWINE. Do you know how large that extent is, Doctor?

Dr. WHITMAN. I shouldn't be surprised if it wasn't two-thirds of the usage of alcohol by people who are producing the alcohol.

In other words, alcohol is a very important chemical raw material for a number of other products.

Mr. SOURWINE. And the producers, or, those of the producers who are also consumers, represent two-thirds of all the consumers?

Dr. WHITMAN. That was my offhand guess, and I think, in terms of volumes of alcohol consumed per month, I think that probably two-thirds is a good safe figure to use.

Mr. SOURWINE. That application of a safe figure is as far as you go in having figures on the amount in the hands of commercial users?

Dr. WHITMAN. I wouldn't want to put it quite that way.

Mr. SOURWINE. Let me put it another way.

Dr. WHITMAN. Could I put it my way?

Mr. SOURWINE. Surely.

Dr. WHITMAN. I am saying that the two-thirds applies to the monthly usage.

Mr. SOURWINE. Yes.

Dr. WHITMAN. Now, whether those producers carry as heavy a stock of alcohol for their own usage as would be necessary for a commercial user at some distance from the producing point, I don't want to say. I don't think they would.

Mr. SOURWINE. What it boils down to is that you really don't know what the stocks on hands in the plants of commercial users amount to?

Dr. WHITMAN. I don't know right now. We have the figures at the plants of commercial users.

Mr. SOURWINE. You do have the amount of alcohol at the plants of commercial users?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Now, just to be sure that we are not getting there a duplicated figure—

Dr. WHITMAN. Wait a minute. At the plants of users who are producers.

Mr. SOURWINE. No, I don't mean that.

Dr. WHITMAN. All right. Then I haven't got the figures.

Mr. SOURWINE. All right, fine.

According to the Alcohol Tax Unit, stocks of undenatured ethyl alcohol and industrial alcohol in bonded warehouses totaled at the end of February 1942, 386,000 proof gallons, or the equivalent of 22,308,000 gallons at 190 proof. That comes pretty close to your first figure of 20,000,000 gallons, doesn't it?

Dr. WHITMAN. Perhaps fortuitously.

Mr. SOURWINE. You don't attempt to integrate it with your figure at all?

Dr. WHITMAN. No; because I am not quite sure what that included. The statement that you just read, would you repeat it again?

Mr. SOURWINE. That is a total figure, 22,308,000 gallons of 190-proof alcohol, industrial alcohol, in bonded warehouses at the end of February of this year.

Dr. WHITMAN. Yes.

Mr. SOURWINE. You would not be inclined to question that figure?

Dr. WHITMAN. I wouldn't be inclined to question the figure. It sounds like it might be right.

Mr. SOURWINE. And as a matter of fact you have no figures of your own to check against it, to check it, as to whether it is right or wrong?

Dr. WHITMAN. That is right; I do not have here.

Mr. SOURWINE. According to the Alcohol Tax Unit, stocks of undenatured alcohol in denaturing plants at the end of February totaled 65,012,006 proof gallons, or an equivalent of 34,217,100 gallons at 190 proof. Can you tell me whether that alcohol is included anywhere in your figures on stocks?

Dr. WHITMAN. I don't know whether any of that is owned by Defense Supplies or not? Do they so state?

Mr. SOURWINE. The Alcohol Tax Unit does not so state, sir.

Dr. WHITMAN. Well, I wouldn't be able to answer you without having, without studying with the Alcohol Tax Unit what they were including in that report.

Mr. SOURWINE. You know that the rubber plants have the status of denaturing plants, do you not?

Dr. WHITMAN. Yes; I know that they denature alcohol there.

Mr. SOURWINE. So stocks in the rubber plants would be stocks held at denaturing plants, wouldn't they?

Dr. WHITMAN. If that is the way the Alcohol Tax Unit is classifying it; yes. I cannot answer you on that, sir.

Mr. SOURWINE. Well, I am pressing this question a little bit because it seems to me, with your concern over the stock pile, these are facts that you would want to know, sir.

Dr. WHITMAN. Well, go ahead.

Mr. SOURWINE. On March 28 of this year you furnished the Gillette subcommittee of the Committee on Agriculture and Forestry with a report showing that private stocks of industrial alcohol as of December 31, 1943, totaled 17.4 million gallons. You stated that this figure did not include stocks of privately held alcohol not on Internal Revenue bonded premises. Does that mean it did not include the stocks of commercial users?

Dr. WHITMAN. It would not, I believe, include stocks of commercial users after it left the hands of the producers. Now, you are getting into a very technical line of questioning, in which I am not fully prepared to answer with accuracy.

I think that the Alcohol Tax Unit people, who have had many years of experience in just how they put up their figures, could either testify before you, or I should be glad to work with them and try to clear up any of these questions that you consider sufficiently important to justify taking the time.

Mr. SOURWINE. Is that figure which you gave the Gillette committee one which you obtained from the Alcohol Tax Unit?

Dr. WHITMAN. I believe so. Yes; that is correct.

Mr. SOURWINE. Do you know whether that figure you gave the Gillette committee included the stocks on hand at the plants of all producers?

Dr. WHITMAN. I believe that it did.

Mr. SOURWINE. Did it perhaps include only the stocks of such small commercial users as do not operate on bonded premises?

Dr. WHITMAN. I don't know, sir.

Mr. SOURWINE. Did that figure include anything but the stocks on hand at the plants of producers? Do you know that, sir?

Dr. WHITMAN. Yes; apparently it did. I am referring to my assistant's comment to tell me what exactly it did and did not.

Mr. SOURWINE. So that all of the 17.4 million gallons was not in the hands and at the plants of producers?

Dr. WHITMAN. That is correct.

Mr. SOURWINE. What is your present estimate of private alcohol stocks, that is, private alcohol, which is not intended for the Defense Supplies Corporation, and is in the hands of industrial alcohol users?

Dr. WHITMAN. Roughly, as I said, 20,000,000 gallons, or a little less.

Mr. SOURWINE. Well, that doesn't jibe with the answers we have just had, Doctor. You had a figure of 17.4 million.

Dr. WHITMAN. Yes.

Mr. SOURWINE: And you said that all of that was not stocks at the plants of producers. Then you say you estimate stocks of private alcohol in the hands of industrial alcohol producers and not intended for the Defense Supplies Corporation at about 20,000,000 gallons.

Dr. WHITMAN. Or a little less.

Mr. SOURWINE. Actually, it would have to be less than 17.4, wouldn't it, Doctor?

Dr. WHITMAN. Well, technically no, but practically yes.

I say technically no because you are talking about two different times, but let's forget that and just agree that it should be less than 17.4 million.

Mr. SOURWINE. Or else the 17 figure was too low.

Dr. WHITMAN. Yes.

Mr. SOURWINE. What is your estimate of the amount of alcohol the distillers are holding and which the Defense Supplies Corporation is going to purchase?

Dr. WHITMAN. I don't remember whether we have made such an estimate, but I think it is something like this order of magnitude, that the distillers might have on an average perhaps a week's production that hadn't yet been transferred to Defense Supplies.

Mr. SOURWINE. How much would that amount to, Doctor?

Dr. WHITMAN. That would amount to roughly around 5,000,000 gallons. Around 5,000,000 gallons. Now, that figure, I couldn't give any high accuracy to, but what I recall is that in discussing the problem of how much tankage should be supplied to distillers so that they would be able properly to store their alcohol and not tie up tank car transportation, we made quite a study of how much tankage was available at the various distilleries, and it seems to me that we reached the grand average figure of a little over a week. In many cases it was only a few days. And it was a little difficult because tank cars got jammed up at a plant which didn't have enough storage facilities. I think perhaps I am a little high in saying that it would average a week or 5,000,000 gallons. I think it is probably less than that.

Mr. SOURWINE. It wouldn't be 10?

Dr. WHITMAN. I wouldn't think so.

Mr. SOURWINE. So we have then 5,000,000, or a little less, which must be added to the 17,000,000 or 20,000,000 whichever is right.

Dr. WHITMAN. Yes, sir.

Mr. SOURWINE. And then we have a total figure which is among the items not included in your general figure on alcohol stocks.

Dr. WHITMAN. That is right, and we don't have, as I said before, we don't have material in transit. Most of these things are of the nature of the pipe line, which cannot be regarded as reserve stocks, whether owned by the Government or privately owned.

Mr. SOURWINE. Suspending for just a moment, Mr. Davis has returned, and I will ask him to state for the record what he ascertained.

Mr. DAVIS. Mr. Sabin stated that the industrial alcohol stock piles of Defense Supplies, Rubber Reserve, Army and Navy, were given at the Gillette hearing in March 1944. Therefore, there is no objection.

Mr. SOURWINE. We will put those figures in the record if the chairman will permit.

The CHAIRMAN. Very well.

Mr. SOURWINE. Owned in storage by the Defense Supplies Corporation on April 15, 42, 815,000 gallons.

Owned by Rubber Reserve, 35,151,000 gallons.

In the hands of Army and Navy, 9,572,000 gallons.

Do those figures check with your figures, Dr. Whitman?

Dr. WHITMAN. I haven't the same date, but they are reasonably in accord.

Mr. SOURWINE. Do you have any more recent figures you would like to put in the record, or do you still prefer your own judgment on this thing, which is your privilege, sir?

Dr. WHITMAN. If any more recent figures are to be put in, I would prefer to have Defense Supplies put them in. They are their figures.¹

Mr. SOURWINE. Now, returning to the line of questioning we were pursuing.

Do you know what amount of alcohol goes directly into commercial channels without going into the hands or through the hands of the Defense Supplies Corporation?

Dr. WHITMAN. In terms of gallonage, I cannot give you the answer. In terms of how it is handled I think I can give you an approximate answer.

Certain alcohol, which is destined for commercial use, is derived from grain, and with grain prices as they are, such alcohol cannot be made at the price ceiling, and it is my understanding that that alcohol passes through the hands of Defense Supplies Corporation and back to the commercial producer on the transaction which then allows the commercial producer to operate at the price ceiling in his disposal of it.

I think that the alcohol which is made from molasses does not go through Defense Supplies Corporation hands on that type of transaction, and certainly the synthetic alcohol, which has a different price ceiling, and a lower one, does not.

Senator MURDOCK. May I ask this question.

When you speak of alcohol in those three categories, do you have in mind 190-proof alcohol?

Dr. WHITMAN. Yes; in all cases.

Senator MURDOCK. Is there any difference in the quality of 190-proof alcohol made from grain, molasses, or from synthetic sources?

Dr. WHITMAN. Not for our industrial uses. I think if you took in the beverage trade you would find a feeling one way or another in favor of the ultimate potability, after dilution, of alcohol from different sources.

Mr. SOURWINE. Would anybody in the beverage trade hold out for synthetic alcohol for that purpose, Doctor?

Dr. WHITMAN. I don't know, sir.

Mr. SOURWINE. Do you think any of them would hold out for cane spirits over grain spirits?

Dr. WHITMAN. I don't know, sir. If one carries on a sufficient degree of rectification to get 190-proof alcohol, for almost all industrial purposes there is no difference depending upon the origin.

Senator MURDOCK. But you think there is a difference from the standpoint of making a beverage?

Dr. WHITMAN. I believe that the trade would feel that there was a difference; yes.

Senator MURDOCK. And they would prefer, would they not, grain alcohol?

¹ The witness subsequently tendered, for the record, a statement on alcohol stocks which appears hereafter in the appendix, at p. 840.

Dr. WHITMAN. Well, I guess it would depend upon the factors in the trade that you were talking with.

Mr. SOURWINE. Depending, you mean, upon what they produced? Dr. WHITMAN. It would depend upon the company that was interested. It is like a horse race, sir. There are differences of opinion.

Senator MURDOCK. The question in my mind, of course, is this, if there is no difference for industrial purposes between alcohol made from molasses or grain, why do we not allow the molasses to be made into industrial alcohol in Cuba, Puerto Rico, and the Virgin Islands, rather than shipping the molasses into the United States.

Dr. WHITMAN. Well, we have to treat Cuba separately, as it is a foreign country. Of course, we have, from Cuba, a contract that was negotiated by F. E. A., which does involve the Cubans sending us—promising to send us considerable amounts of industrial alcohol as well as molasses. In the case of Puerto Rico and the Virgin Islands, the difficulty is in arranging for the handling and transportation of industrial alcohol from those points, and for that reason it is preferable to bring the molasses from those points and make it into industrial alcohol in this country.

Senator MURDOCK. We went into that quite thoroughly the other day, Mr. Sourwine, but it seems to me that aspect of the alcohol situation could be gone into very thoroughly during this hearing, to find out whether it is better to use up tanker space with molasses rather than converting that into industrial alcohol where it is and then shipping the alcohol either into the United States, or under our lend-lease program to other countries.

Dr. WHITMAN. Well, I think, sir, I can very simply state our position, which is that we want to get the maximum amount of molasses and/or industrial alcohol from foreign countries.

Senator MURDOCK. That is very evident, but the question in my mind, and I imagine the chairman has the same question, is this: Why not make the molasses into alcohol down there? It has been testified here that the facilities are sufficient to convert all of their molasses into industrial alcohol down there.

Dr. WHITMAN. Well, I think, sir, that that is a little bit of an exaggeration, perhaps.

Senator MURDOCK. I am just depending on the record that has been made. That is my recollection of the testimony, but if I am wrong I stand corrected.

Dr. WHITMAN. We are going to get a great deal more molasses from the Caribbean than they possibly could convert into alcohol in the Caribbean area. There is one point in the Caribbean area, namely, Cuba, where it seems practical to produce and handle industrial alcohol, and the Cubans have agreed to deliver a certain amount to us, and more if they can. That movement has not started. So far as I know not a drop of that industrial alcohol under the agreement has yet reached the United States, but we are very hopeful that it will come up.

Senator MURDOCK. But we know this, that they are not utilizing all of their distilling facilities in the production of industrial alcohol, and are putting tremendous quantities of low-quality beverage in here for consumption in the United States.

Dr. WHITMAN. But you also realize, sir, that they are under commitments to deliver industrial alcohol to us from facilities there, and we haven't yet received any of it.

Mr. SOURWINE. Have you had any importation of industrial alcohol from Cuba during the first 4 months of this year, Doctor?

Dr. WHITMAN. So far as I know, no.

The CHAIRMAN. What are they doing with it, what becomes of the alcohol?

Dr. WHITMAN. I suppose, sir, that they are accumulating some industrial alcohol against the time when they will have enough to start the shipments.

Mr. SOURWINE. Doctor, we were talking about alcohol which goes directly into commercial channels, without going into the hands of Defense Supplies Corporation, and I believe you stated that you did not have a figure on that.

Dr. WHITMAN. That is correct.

Mr. SOURWINE. Do you know whether any of that alcohol is going into the black market?

Dr. WHITMAN. No, sir.

Mr. SOURWINE. Could it go into the black market?

Dr. WHITMAN. I am not competent to judge what the chances are for illegal action.

Mr. SOURWINE. Doctor, according to—

The CHAIRMAN. May I ask a question.

Mr. SOURWINE. Yes, sir.

The CHAIRMAN. Doctor, this is remote from the line of interrogation that has been going on, but it is a matter that seems to me to be uppermost in the minds of the members of this committee, and it is certainly uppermost in the minds of the people of the country.

I wonder if you have taken cognizance of it or if you would deem it to be within the jurisdiction of your set-up. It has been brought to the attention of some of us here that a great number of the counties in many of the States, and especially the corn-producing States, are, under local option, going dry, and that as they go dry the illicit production of whiskey is going up by leaps and bounds. Has that come to your attention, and is it a matter that is within your jurisdiction at all?

Dr. WHITMAN. It is not a matter within our jurisdiction at all. We have nothing to do with beverage production—beverage control. We are, of course, aware of the situation which is causing considerable concern in the country, and that your committee is investigating. I would not at all want to say that we in the War Production Board are not cognizant of that matter. I think Mr. Nelson has so testified, that we realize that conditions are not getting better.

The CHAIRMAN. Well, we are all interested, of course, in the health of the country, because to maintain a high standard of health in this country in its crucial period is a very important function, and with the distribution of illicit liquor, illicitly made, improperly made, improperly treated, improperly aged, and so forth, we are going to be confronted with the natural things that follow as regards human health.

Now, don't you think, or had you given any serious thought to the proposition, that by releasing these legal producers, producers that

know how to produce, and have produced under governmental inspection for years, by releasing that alcohol for a period of time you would put this illicit production out of business, and that it would be worth while?

Dr. WHITMAN. May I answer it this way, Senator McCarran—

The CHAIRMAN. I may have taken you into a field where you do not belong, but it is of concern to me.

Dr. WHITMAN. Yes. Well, we had hoped that some release could be effected in the fourth quarter of 1943. As Mr. Nelson testified, and, actually, early in September, our plans were drafted for such release if it could be effected. We figured that if we were going to be able to make a release we had better have all the details of how it should be done worked out.

But, as Mr. Nelson explained to you, an increased estimate of requirements of the rubber program came up, and we were unable to justify in our minds carrying through that release for the fourth quarter.

I think, sir, that the moves at that time indicate the policy that we have had.

The CHAIRMAN. Isn't your alcohol from petroleum becoming greater?

Dr. WHITMAN. Yes; there is a slight increase in alcohol from petroleum, and just recently we were able to raise our estimates a few million gallons on what we could get from petroleum. We have not put in entirely new petroleum alcohol plants. It is pretty expensive in terms of critical material requirements. We have always had to operate under this war economy where new construction must be kept to the minimum which is consistent with carrying out war objectives.

We have deliberately been stingy, I will say that right off, in terms of building a lot of new plants in the alcohol program. We have preferred instead to follow a policy of building against future contingencies a reasonable stockpile so that if those requirements went up very high we would have time enough to turn around and build new plants before our stocks ran out.

That has been the policy all along. And I would say that because of that policy it has been possible for us to keep out of the way of the more critical programs, like rubber and 100-octane gasoline, which did not get started soon enough, and which, therefore, had to demand the highest priorities for the building of plants. We were able to keep the alcohol program out of that important category and we think that that contributed toward the more rapid completion of the other programs.

Mr. SOURWINE. Doctor, while you are on the subject of plants to make alcohol from petroleum, I want to get something clear in my mind. The first cost of such plants, compared with the first cost of, say, a grain plant of comparable annual capacity, is very high, is it not?

Dr. WHITMAN. That is correct.

Mr. SOURWINE. On the other hand, if you have such a plant constructed, and the cost of construction amortized, it would produce alcohol more cheaply than grain?

Dr. WHITMAN. Much more cheaply. So that it was a question of war economy which stopped us from building plants that required

a lot of critical material, even though those plants would be perfectly sound post-war plants from the standpoint of low-cost alcohol.

Mr. SOURWINE. Is the process for making alcohol from petroleum a patented one, Doctor?

Dr. WHITMAN. Oh, I think, like most processes, it has quite a number of patents associated with it, yes.

Mr. SOURWINE. Do you know who owns those patents?

Dr. WHITMAN. I am not familiar with the patent situation, but presumably the Carbide & Carbon Chemical Co. and the Standard Oil Co. of New Jersey, and maybe a number of other companies who are not actively producing, may have patent positions.

Mr. SOURWINE. Does Gasoline Products own any of those patents?

Dr. WHITMAN. No, not to the best of my knowledge.

Mr. SOURWINE. Dr. Whitman, according to returns from a questionnaire sent out by this committee, which I propose to offer for the record, stocks of 190-proof alcohol held by producers on March 31, 1943, totaled 18,886,300 gallons. Do you have any comment on that figure?

Dr. WHITMAN. No. It sounds reasonable.

Mr. SOURWINE. How do the returns from that questionnaire, as represented by that figure, jibe with your own figures?

Dr. WHITMAN. I am told that they are reasonably in accord.

Mr. SOURWINE. You realize that this is a figure solely on the amount of industrial alcohol held at plants of producers, and does not include any alcohol in the plants of consumers or in storage for consumers, it is not Defense Supplies Corporation alcohol, it is a separate figure.

Dr. WHITMAN. Yes.

Mr. SOURWINE. I will offer this for the record, Mr. Chairman.

The CHAIRMAN. Very well.

(The tabulation referred to is as follows:)

Stocks of 190-proof alcohol on hand Mar. 31, 1944

	Owned by company		Owned by Defense Supplies Corporation		Miscellaneous stocks
	Wine gallons	Proof gallons	Wine gallons	Proof gallons	
Fleischmann Distilling Co. (2 plants).	15,490	35,131			14,294 wine gallons 187 proof high wines.
National Distillers Products Corporation (12 plants).	220,540	410,026	14,323	27,213	9,985 Cuban cane spirits.
Park & Tilford Distillers, Inc. (6 plants).	52,760	100,244			32,026 proof gallons high wines.
Publisher Commercial Alcohol Co. (9 plants).	665,595	1,150,630			101,640 gallons ethyl acetate.
Joseph E. Seagram & Sons, Inc. (10 plants).	273,524	520,195			
Schenley Distillers Corporation (14 plants).	138,543	263,232	11,581	22,004	1,713 drums 190-proof alcohol stored in various warehouse.
United States Industrial Chemicals, Inc. (8 plants).	3,490,282	6,631,535	2,206,314	4,195,795	49 drums 190-proof fruit spirits stored.
United States Industrial Chemicals, Inc., in transit.	270,075	513,142			
Commercial Solvents Corporation (5 plants).	1,689,159	3,210,092	3,582,859	6,807,432	
James B. Beam Distilling Co.	2,410	4,580			
Belvidere Distilling Co.	12,803	24,330			
Binocular Distilling Co.	5,781	10,984			
Bockeler Associates	3,803	5,763			
Bonds Mill Distilling Co.	2,658	5,051			

Stocks of 190-proof alcohol on hand Mar. 31, 1944—Continued

	Owned by company		Owned by Defense Supplies Corporation		Miscellaneous stocks	
	Wine gallons	Proof gallons	Wine gallons	Proof gallons	Wine gallons	Proof gallons
Brown-Forman Distillers Corporation	5,892	10,624	8,177	15,537	87,814	proof gallons ¹
Chartres Alcohol Co.	12,904	24,617				
Clinton Products Co.	16,103	30,396				
Consolidated Distillers, Inc.	18,273	34,729				
Dillinger Distillers, Inc.	7,298	13,809				
Dewline Bros. Distilling Co.	2,748	5,222				
E. I. du Pont de Nemours & Co.	1,686,287	2,918,945				
General Distillers Corporation	3,561	6,825				
Genesee Brewing Co., Inc.	126	1,377				
Francia Bros. Winery	11,000	28,500				
E. & J. Gallo Winery	20,016	40,431				
Glenmore Distillers Co.	22,714	45,435				
Gulf Distilling Corporation	348,528	695,065				
Harford County Distillery, Inc.	4,736	9,000				
Hedgeside Distillery Corporation	3,630	6,897				
Highland Distillers, Inc.	4,964	9,212	4,647	8,831		
Kentucky River Distillery	49,678	94,388				
Iac Chemicals, Inc.	6,132	11,089				
Meadow Lawn Distilling Co.	5,232	9,979				
Medley Distilling Co.	3,148	5,983				
Merchants Distilling Corporation	4,290	8,280				
Mid Valley Distilling Corporation	26,403	50,336	12,643	24,021		
National Distillers Products Corporation	80,000	152,000				
New England Alcohol Co.	190,666	305,615	25,631	48,600		
Old Times Distillery Co.	3,063	5,820				
Pennsylvania Alcohol & Chemical Corporation (formerly Shoney Distillery Co.)	62,020	117,838	185,700	257,848		
Pestl Wine Co.	16,095	31,500				
H. F. Pogue Distillery Co.	8,493	16,137				
Reedville Distillers, Inc.	22,965	43,532				
Ruby Bros. Distillers	1,991	3,784				
Roma Wine Co.			6,513	12,375		
San Gabriel Vineyard Co.	3,280	6,232				
San Martin Vineyards Co.	4,317	8,202				
The Sherwood Distilling Co.	7,975	15,283				
Sieffried Lowenthal Co.	7,951	15,108				
W. F. South Distilling Co., Inc.	3,576	6,779				
Sittler Weller Distillery	5,157	9,799				
Swinside Winery			7,280	13,949		
Sunset Hills Farm	1,911	3,631				
Taylor & Williams Distillers	2,555	4,853				
United Distillers (of America) Ltd.			14,000	26,600		
United Distillers ²	3,474	6,600				
Hiram Walker & Sons, Inc.	219,820	474,658	2,370,338	4,520,742		
James Walsh & Co.	2,563	4,954				
Watson Bros. Distillers	3,283	6,220				
Yankee Industrial Alcohol Corporation	20,672	39,277				
The American Distilling Co. (Peck)	125,416	238,291	1,692,670	1,318,073		
Riesling Bros. Wine Co.	21,049	39,989				
The American Distilling Co. (Plant R D No. 4)	26,559	50,463				
Cedar Valley Distillery	3,197	6,075				
Fairfield Distillery, Inc.	12,277	23,326				
Total	9,782,690	18,587,735	9,103,691	17,297,020		

¹ 69,599 owned by Defense Supplies Corporation.² Also has 65 barrels of grain spirits in warehouse.³ Sausilto plant (per tel.).

Mr. SOURWINE. Doctor, when was it determined that it was necessary to accumulate a stock pile of industrial alcohol?

Dr. WHITMAN. I think that the original determination was about April of 1942.

Mr. SOURWINE. By whom was it determined?

Dr. WHITMAN. It was determined by the War Production Board.

Mr. SOURWINE. Was the determination documented by any written order or directive?

Dr. WHITMAN. I would suppose so. That was a little bit before I got actively into the program, but knowing the general practice, I would certainly assume that there was correspondence with the director of stock-piling and transportation—if that was his title in those days—and with Defense Supplies Corporation.

Mr. SOURWINE. Doctor, if there was any written order or directive documenting that determination to start accumulating a stock pile of industrial alcohol, will you try to get it for the committee?

Dr. WHITMAN. Yes, sir.

Mr. SOURWINE. And if you find there is none, will you report to the committee that you cannot find it?

Dr. WHITMAN. Yes.

Mr. SOURWINE. You do not believe, then, that the stock pile just grew, like Topsy, as a result of excessive production over requirements?

Dr. WHITMAN. No. You see, Defense Supplies Corporation would not start to buy alcohol except at the request of the War Production Board, so that unless the practice as of those days differed markedly from the practice shortly thereafter, it is pretty obvious that they started to buy it at the request of the War Production Board.

Mr. SOURWINE. But do you know whether the policy that they were to attempt to stock pile alcohol was settled before it became apparent that there was an excess of production over requirements—or was it vice versa?

Dr. WHITMAN. It was vice versa in terms of future requirements. I think I can give you that picture rather clearly if you would like to have it.

About that time the Rubber Reserve Corporation requested us to tell them whether we would be able to supply the alcohol needed if they greatly extended their program for constructing plants to make butadiene from alcohol. We said "yes." They thereupon decided upon an enlarged program which involved building 11 units at three different points. Those are the plants which are now in operation. Originally those plants were expected to consume about 200,000,000 gallons of alcohol a year.

We foresaw that in order to be prepared to supply that alcohol it would be necessary for us to take rather strong measures and that in particular we should build up a stock of alcohol at a time when it was possible to do it against the future needs of those plants.

In September of that year, 1942, I made a rather thorough study of the situation as of that date, at which time I reached the conclusion that we should assume that the new butadiene plants would run at higher than their rated capacity. I believe at 125 percent. I believe that is the figure I assumed at that time. That immediately increased the estimate for the requirements for alcohol.

That tied in with a very disturbing fact, that almost all of the molasses tanker fleet had been sunk by that time, and that movement of molasses from the Caribbean had dwindled to nothing.

Now, molasses was normally the base for our big production of industrial alcohol. So here we were in a situation where the normal

¹ The witness subsequently submitted copies of letters dealing with initiation of the alcohol stock pile, which appear hereafter in the appendix, at p. 838.

production of industrial alcohol was shortly going to be at a low rate of production because they couldn't get any molasses. In fact, it would peter out if they couldn't get any more molasses.

And at the same time there were prospects of a greater requirement than we had previously thought.

So in October of that year we acquired the total production from the beverage distilling plants in order to build these stocks while we could build them against a future need. Of course, coincidentally, we started plans to convert the industrial alcohol plants on the east coast so that they could use grain, because we felt that they were not going to be able to get any more molasses.

Now, that allowed us to build a stock reserve against future needs, which went up at a very gratifying rate, by the spring of 1943. In March we had built up to 100,000,000 gallons. A great deal of pressure was put upon us, some of it by the distilling industry, a great deal of it right within the War Production Board, by people who thought that we were making a mistake in letting the alcohol stocks go so high. They didn't have much faith in the estimate that the butadiene plants would consume alcohol the way the Rubber Director thought they would.

We got up to a high point on our stock situation by the middle of the summer. We got to as high as 138,000,000 gallons. And then stocks started to tumble because butadiene plants came in and they demonstrated a capacity to run at higher than their rating, and for a while we were losing stocks at the rate of about 10,000,000 gallons a month, which shut up most of our critics, because they realized that the program of planning ahead for this heavy need had been sound.

Meantime, of course, we were building a certain number of plants in order to increase production, and those plants are now in operation, although of the three new plants not one of them yet has reached the point of its rated capacity. However, we are very hopeful that they will reach the rated capacity and perhaps exceed it.

We come now into this period in the first of the year 1944 where production conditions are very favorable. You have lots of water, and you have cold water, and we are getting excellent production this spring. We are going to have a loss in production this summer, when the temperature goes up, and water conditions are not so good.

We are at a point where the Rubber Director's plants are consuming at something like 170 percent of rated capacity. So far we have never failed them on getting alcohol to do what they could do. There is no telling what is going to happen to that rubber program in the months ahead of us. It can well be hoped that petroleum butadiene will come in to a goodly extent and will take a larger share of the load even than alcohol. That might result in an easing of the alcohol situation. We hope that it will.

But as of today we have no assurance that that will occur.

Mr. SOURWINE. Doctor, what chemicals besides alcohol are stock-piled? Is it a long list?

Dr. WHITMAN. Yes; a long list. I might cite one with which I have been very much involved. That is benzol. When I first took over the responsibility for benzol, two-thirds of it was being used in motor gasoline. When we saw the requirements of benzol for the rubber program and the aviation-gasoline program, the first action

we took was to cut out benzol from ordinary motor gasoline, and started to stock pile it.

That, incidentally, has resulted in our being able to supply all of the rubber needs for benzol and to supply a very large amount for 100-octane gasoline.

Now, that is one example.

Mr. SOURWINE. In terms of months of supply, how much benzol is stock-piled, Doctor?

Dr. WHITMAN. Oh, I can't remember how high we went on benzol.

Mr. SOURWINE. I mean now.

Dr. WHITMAN. I think that our benzol right now is about a 4 or 5 months' supply.

Mr. SOURWINE. Doctor, what do you estimate the stock pile of industrial alcohol will be at the end of 1944?

Dr. WHITMAN. According to our present estimates, sir, the Government stocks would run about 59,000,000 gallons, and if we take out the 30,000,000 gallons that I call necessary working inventory, we will have 29,000,000 gallons that I would ticket as reserve stocks.

Mr. SOURWINE. Would you estimate the requirements for this year?

Dr. WHITMAN. The total requirements are estimated at 636,000,000 gallons.

Mr. SOURWINE. Which includes the requirements figure of 365,000,000 gallons for the rubber program?

Dr. WHITMAN. That is correct.

Mr. SOURWINE. Which figure, you will recall, was in some dispute the other day.

Dr. WHITMAN. I think you disputed it.

Mr. SOURWINE. That is right, sir.

Dr. WHITMAN. The Rubber Director has not.

Mr. SOURWINE. He hasn't been called yet, Dr. Whitman.

You estimate production at 609,000,000 gallons for this year, is that right—or has that estimate come up?

Dr. WHITMAN. I think 611 is the figure we testified last week. That includes imports.

Mr. SOURWINE. That is an excess of requirements over production amounting to roughly 17,000,000 gallons, is that right?

Dr. WHITMAN. No; I get 25,000,000 gallons.

Mr. SOURWINE. All right.

Dr. WHITMAN. 636 minus 611.

Mr. SOURWINE. So that your stock pile at the beginning of the year was 79.7 million gallons, and you subtract from that the anticipated excess of requirements over production to arrive at your 59,000,000 gallons figure for this stock pile at the end of the year?

Dr. WHITMAN. I think I am going to have to make a comment on the stocks at the beginning of the year.

Mr. SOURWINE. I wish you would, Doctor.

Dr. WHITMAN. Stocks as of the beginning of the year were 86.6 million.

The CHAIRMAN. That is 1944?

Dr. WHITMAN. 1944.

Now, the reason why that figure was higher than the one we had estimated it would be on January 3 is just one of those little things that is always happening to shift figures around.

May I put this off the record.

The CHAIRMAN. Off the record.

(A discussion was had off the record.)

Dr. WHITMAN. So we now show a stock figure at the beginning of 1944 as 86.6.

Mr. SOURWINE. You show your stock figure at the beginning of 1944 as 86.6.

Dr. WHITMAN. That is correct

Mr. SOURWINE. You have an excess of requirements over production of some 25,000,000 gallons?

Dr. WHITMAN. Yes.

Mr. SOURWINE. That arithmetic still does not come up to 59,000,000 gallons of stock pile.

Dr. WHITMAN. It comes awfully close.

Mr. SOURWINE. But, Doctor, this is a mathematical computation. You said you arrived at the total estimate of the stock pile by subtracting, to reach the difference between the requirements and production.

Dr. WHITMAN. All right. I will have to go back and educate you on another point, which I tried to indicate this morning. We do use mathematics from here on out through the rest of the year.

Mr. SOURWINE. Yes, sir.

Dr. WHITMAN. But there have already passed this year January, February, March, and April.

Mr. SOURWINE. Yes, sir.

Dr. WHITMAN. By months, we don't use the mathematics of it in the same way. We use what actually happened to the stock pile during those 4 months.

Mr. SOURWINE. You do that with respect to your production, don't you?

Dr. WHITMAN. Pardon?

Mr. SOURWINE. You make that same adjustment with regard to production?

Dr. WHITMAN. No.

Mr. SOURWINE. You don't take into account what has actually happened in adjusting your production estimates?

Dr. WHITMAN. Of course we do.

Mr. SOURWINE. So that of that date in adjusting at this time your requirements estimate for the year you take into account what has actually happened?

Dr. WHITMAN. Yes.

Mr. SOURWINE. So that the two figures you have given me, of 636 and 611, are estimates as of today, and they take into account what has actually happened?

Dr. WHITMAN. Well, I will have to try to say it again.

If this was the 1st of January you should be able to calculate the end of the year figure by just making a 25,000,000 gallons correction for what you started the year with.

Mr. SOURWINE. Yes, sir; but this isn't the 1st of January.

Dr. WHITMAN. So that we have ahead of us 8 or 9 months of future prediction to which that would apply, but behind us are 3 or 4 months of actual performance, and, as I explained to you the stock pile will not check on the nose against the difference between production and usage. Is that clear?

Mr. SOURWINE. Yes, Doctor; that is quite clear, and we have already seen that your stock pile at the end of the year did not check on the nose with use and with production.

Dr. WHITMAN. That is correct.

Mr. SOURWINE. I can understand that. But here we have a figure of the estimated stock pile at the end of the year. Now, your figure on production for the entire year 1944 must necessarily include, and I think you have testified it does include, actual production so far as you have been able to determine it this year, plus what you estimate production will be for the remainder of the year.

Your figure on requirements includes actual use, so far as you have been able to determine it, this year, plus your estimate of use from there on throughout the year.

Dr. WHITMAN. That is correct.

Mr. SOURWINE. Your figure on stock pile, I thought you testified, represented a subtraction of one from the other.

Dr. WHITMAN. No.

Mr. SOURWINE. Then how is the estimate of the stock pile arrived at?

Dr. WHITMAN. The estimate of the stock pile for the future is based on the method which you have described. As far as the past is concerned, the stock pile is really the recorded amount of alcohol in the tanks.

Mr. SOURWINE. What you really mean is that you estimate that for the last 8 months of this year, for which you do not have figures, requirements will exceed production by some 27,000,000 gallons. Is that right?

Dr. WHITMAN. No; I don't think that is the correct arithmetic. The CHAIRMAN. Get out your slide rule.

Dr. WHITMAN. This is addition and subtraction and you can't do that on the slide rule. We have to go back to the old method.

Mr. SOURWINE. You said stocks at the present time are 87,000,000—

Dr. WHITMAN. I think I might be able to explain this to you.

Mr. SOURWINE. Fine, Doctor.

Dr. WHITMAN. The principle is illustrated by this point, that during the first 4 months of this year our change in stock pile differed as between supply versus usage by about 1.3 million gallons.

Mr. SOURWINE. During the first 4 months of the year the stock pile increased how much?

Dr. WHITMAN. The stock pile decreased—well, as a matter of fact, I haven't put in the latest stock-pile figure. Actually it decreased about a half million gallons.

Mr. SOURWINE. Well, let's use this April 15 figure, since that is the latest one you put in the record. That represented an increase or a decrease from the amount of the stock pile at the end of 1943? A slight increase, didn't it? That means that your figure now for the stock pile at the end of 1943 is what—86,000,000 gallons? You now say that the stock pile at the end of 1943 was how much?

Dr. WHITMAN. £6.6.

Mr. SOURWINE. On January 3, you said the stock pile at the end of 1943 was 78.6—or did you say it was 79.7?

Dr. WHITMAN. 79.7.

Mr. SOURWINE. You have then an increase of 6.9 million gallons in the stock pile. I mean, the amount you now say it was is 6.9 million gallons above what you said it was on January 3.

Dr. WHITMAN. If your arithmetic is correct, yes.
Mr. SOURWINE. All right, I will stand on the record for the arithmetic. Now, you have explained, I believe, that part of that was due to the fact that shipments which you thought had been made had not been made.

Dr. WHITMAN. That is right.
Mr. SOURWINE. And they were made in January.

Dr. WHITMAN. Yes.
Mr. SOURWINE. Now, on March 25 of this year you testified that the stock pile as of February 29 was 78.6 million gallons. That was after those shipments had been made. That jibes very closely with your figure given on January 3.

Dr. WHITMAN. Yes.
Mr. SOURWINE. Now, what I am trying to get at, Doctor, is, if your stock pile as of the first of the year was 79.7—

Dr. WHITMAN. When did I testify to that later point? Did you say I testified?

Mr. SOURWINE. Yes, sir. On March 25, before the Gillette subcommittee of the Agriculture and Forestry Committee. I am sorry if you don't remember it, sir.

Dr. WHITMAN. What did I say?

Mr. SOURWINE. 78.6 million gallons. Is that in error?
Dr. WHITMAN. I am surprised that I said it, because as of March 1 we were carrying a figure of 86.1. I may perfectly well have said it.

Mr. SOURWINE. Well, you testified as of February 29. Of course the March 1 figure was the next day and you may not have received it. Let me start over.

Dr. WHITMAN. I thought you said I testified well along in March.
Mr. SOURWINE. You testified on March 25 to a figure as of February 29, Doctor.

Dr. WHITMAN. All right. You remember, sir, that I made roughly 30 different sets of calculations from the time this program started.

Mr. SOURWINE. Yes.
Dr. WHITMAN. Yes, that it is hardly possible for me to agree with you every time you bring out a new figure.

Mr. SOURWINE. Leaving aside the question of whether you had 79.7 or whether you had 86.6 on the first of the year, and assuming, for the purpose of this discussion, that you had 86.6, then for the first 4 months of this year, up until April 15, there was a slight increase in the stock pile.

Now, you estimate that the stock pile at the end of the year will be 59,000,000 gallons. That is 27,000,000 gallons less than you had at the beginning of the year. It is perhaps 27% or 28 million gallons less than the amount of the stock pile as of April 15.

You must necessarily mean that you expect the stock pile to be reduced by that amount during the remainder of this year. Is that right, sir?

Dr. WHITMAN. Our figure is that it will be around 59,000,000 at the end of the year.

Mr. SOURWINE. The mathematics imply a reduction; is that not correct, Doctor?

Dr. WHITMAN. Oh, absolutely.

Mr. SOURWINE. That reduction can only come from a difference between requirements and production.

Dr. WHITMAN. Correct.

Mr. SOURWINE. Now, you estimate that the production for the entire year will be 611,000,000 gallons, and you estimate that the requirements for the entire year will be 636,000,000 gallons.

Dr. WHITMAN. Yes.
Mr. SOURWINE. The difference there is only 25,000,000 gallons.

Dr. WHITMAN. Yes.
Mr. SOURWINE. If we agree on that then we do not have to labor the point any further.

Dr. WHITMAN. O. K.
Mr. SOURWINE. Doctor, has the over-all production of alcohol in this country for the first 3 months of this year been above or below your estimates?

Dr. WHITMAN. The over-all production has been above.

Mr. SOURWINE. How about production from the west-coast plants?

Dr. WHITMAN. I suspect it has been below. I am not sure.

Mr. SOURWINE. Was it above or below as of the last date you had figures?

Dr. WHITMAN. Well, now, you are asking me to compare it with some prediction as of when? As of January 3? You remember I have made 20 sets of predictions.

Mr. SOURWINE. Compare it with the January 3 prediction.

Dr. WHITMAN. All right. By the way, is this just the west coast, or are you going to subsequently ask about everyone?

Mr. SOURWINE. I am going to ask you about the synthetic plants and the registered distilleries.

Dr. WHITMAN. All right. I will try to get stem all then.

Mr. SOURWINE. Fine.

Dr. WHITMAN. The west-coast production, predicted on January 3, for the first quarter was 2,000,000 gallons. The west-coast production for the third quarter was—excuse me. I think I made a mistake on that one. No; the west-coast production predicted on January 3, for the first quarter of 1934, was 3 million 1. According to our present figures it actually was 4 million 5.

Mr. SOURWINE. Now, how about production from synthetic plants?
Dr. WHITMAN. Synthetic. It had been predicted to be 15,000,000 gallons.

Mr. SOURWINE. And what was it?

Dr. WHITMAN. 15 million 4.

Mr. SOURWINE. That is pretty close, Doctor.

Dr. WHITMAN. Yes. The third month it came out beautifully.

Mr. SOURWINE. How about production from registered distilleries?

Dr. WHITMAN. Our predicted production was 60,000,000 gallons.

Mr. SOURWINE. And what was the actual?

Dr. WHITMAN. The actual was sixty-one and a half.

Mr. SOURWINE. Have your estimates of total production for the year been revised in the light of those increases?

Dr. WHITMAN. They have on the synthetic alcohol because we have felt that we can increase the total of synthetic alcohol from 60,000,000 for the year, which we first estimated, up to 63,000,000. On the west coast we have been forced to decrease our estimates because we ran out of molasses. We expected to be able to continue the operations of the west-coast wineries on molasses pretty well through to the

summer, but the molasses situation is so stringent out there that we had to shut them down as of April 1 because there wasn't any molasses. The production on the west coast which had been estimated at 12,000,000 is now estimated at 10 million 8.

Mr. SOURWINE. How about production from registered distilleries?

Dr. WHITMAN. There is no change in our estimate on that. There are three things that are sources of worry in the beverage production. Summer conditions—particularly at Louisville, where the water table has dropped badly.

Mr. SOURWINE. I thought they had floods out there.

Dr. WHITMAN. Well, that is all seasonal. And then in determining the question of whether we are going to have our grain supplies, the distilleries, to a considerable extent, have been pushed from pillar to post on grain. You can't very well predict what it is going to be this summer.

Mr. SOURWINE. You mean there is a shortage of corn?

Dr. WHITMAN. Yes, a shortage of corn.

Mr. SOURWINE. How about wheat?

Dr. WHITMAN. Well, so far they have been able to get wheat without too much trouble. They are not getting as good wheat as they have had.

Mr. SOURWINE. You do not anticipate any wheat shortage?

Dr. WHITMAN. Well, the War Food Administration does, yes.

The CHAIRMAN. What percentage, if you know, Doctor, of the grain produced in the United States is used by the distilling industry when all of the industry is engaged in distilling, have you ever estimated that?

Dr. WHITMAN. You mean when they are operating on industrial alcohol?

The CHAIRMAN. Well, when they are operating normally, put it that way.

Dr. WHITMAN. Oh, normally. It must be a very small percentage. I don't have that figure. In this year's program we expect roughly that the whole alcohol program will take maybe 150,000,000 bushels of grain, plus or minus 10,000,000 bushels. One hundred fifty million bushels can be compared with the known statistics as to the corn and the wheat and so forth that is grown in the country.

The CHAIRMAN. Well, it is not a large percent?

Dr. WHITMAN. It is not a large percentage.

The CHAIRMAN. Someone stated in my presence that it would be less than 3 percent. Your figure would make something a little higher than that.

Dr. WHITMAN. A little higher than that. But it is not a big percentage. Of course, it is pointed out by the War Food Administration that a great deal of the grain in the country does not get out to the market and is therefore not to be regarded as available for industrial use. We have our discussions and arguments with the War Food Administration on this point.

But I am pointing out that the uncertainty of grain supplies is one of the things that has us worried.

Mr. SOURWINE. Dr. Whitman, back in March you estimated the alcohol requirements of the rubber program at 345,000,000 gallons for 1944, and then you revised that estimate upward to 347,000,000 gallons, and I believe you explained that that was because the program

had used during the first 2 months of the year 2,000,000 gallons more than you estimated.

Dr. WHITMAN. Correct.

Mr. SOURWINE. In other words, when requirements for those months exceeded estimates by 2,000,000 gallons, you increased your estimate for the whole year by that amount?

Dr. WHITMAN. Yes; after consultation with the Rubber Director.

Mr. SOURWINE. Yes.

Dr. WHITMAN. Asking him whether we should adjust downward the subsequent usage or keep it at what it had been.

Mr. SOURWINE. Doctor, I would like to know if in your opinion that is the soundest statistical method that could have been applied. Wouldn't it perhaps have been a better method of estimating if you had increased your estimate for the year by 12,000,000 gallons, since the increase of requirements was approximately 1,000,000 gallons a month above your estimate?

Dr. WHITMAN. I can answer that very simply by saying that we take the estimate of the Rubber Director for what his future requirement is going to be.

Mr. SOURWINE. Well, you subsequently did, of course, increase that estimate, not by 12 but by 13 million gallons, and brought it up to 360 and then to 365.

Dr. WHITMAN. That is correct.

Mr. SOURWINE. Is there any reason why the increases in production of alcohol, which you have just told us about, should not have been projected in the same way to arrive at revised estimates of supplies for the year?

Dr. WHITMAN. I don't think there is a parallel there. I explained to you that the Rubber Director gives us the estimates which we use on future requirements.

Mr. SOURWINE. I see.

Dr. WHITMAN. We are the ones who decide what to estimate for the supply situation.

Mr. SOURWINE. All right, Doctor.

In testifying before the Gillette committee in March you gave January production of industrial alcohol as 47,000,368 gallons, and 46,448,000 gallons for February. Did that figure include imports?

Dr. WHITMAN. Yes.

Mr. SOURWINE. A press release issued by the War Production Board on April 15 of this year, and quoting you, showed January production as 46,700,000 gallons.

Dr. WHITMAN. That did not include imports.

Mr. SOURWINE. So that the 700,000 gallons difference in the two figures on January production represented imports then?

Dr. WHITMAN. Wasn't there a 900,000-gallon difference?

Mr. SOURWINE. I will put the question this way: Did the difference represent imports?

Dr. WHITMAN. Nine hundred thousand gallons was the imports.

Dr. SOURWINE. Where did that come from, Doctor?

Dr. WHITMAN. That came from Canada and—I do not know whether any of it came from Mexico or not.

Mr. SOURWINE. None from Cuba?

Dr. WHITMAN. None.

Mr. SOURWINE. According to the Alcohol Tax Unit of the Internal Revenue Bureau, net production of industrial alcohol in January was 46.8 million gallons exclusive of imports.

Dr. WHITMAN. That checks.

Mr. SOURWINE. And 46,000,000 gallons for February exclusive of imports. That checks also?

Dr. WHITMAN. No. I am a little surprised at that.

Our figures for February would indicate that exclusive of imports it should be about 45.2. You say A. T. U. gives a figure of 46?

Mr. SOURWINE. Yes.

Dr. WHITMAN. Well, that is a little bigger discrepancy than I would have anticipated.

Mr. SOURWINE. Your imports in February then must have been about one million two?

Dr. WHITMAN. That is correct.

Mr. SOURWINE. And where did they come from?

Dr. WHITMAN. As before. I think primarily Canada, and I am not sure whether from Mexico, but none from Cuba.

Mr. SOURWINE. Can you tell us, Doctor, what was your January 3 estimate of the production of industrial alcohol for the first quarter of 1944?

Dr. WHITMAN. Yes. One hundred and forty three and a half.

Mr. SOURWINE. And what was your estimate of imports for that quarter?

Dr. WHITMAN. By the way, that included imports.

Our estimates of imports was 3 million 9.

Mr. SOURWINE. Yes, sir, and what was the actual production for the same quarter?

Dr. WHITMAN. 147.3 including imports to the extent of 3.9.

Mr. SOURWINE. What was the production in March, Doctor, exclusive of imports?

Dr. WHITMAN. Our figures, which have not been checked yet against the figures of the A. T. U. exclusive of imports, were 51.5.

Mr. SOURWINE. What was the previous highest month?

Dr. WHITMAN. Oh, I have forgotten. Did we put that in the news release, or didn't we?

Mr. SOURWINE. I don't recall whether you did, sir. The highest month I was able to find prior to that was January—46.7. Does that sound right?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Doctor, is there any reason why this production level, which is definitely above estimates, cannot be maintained or even exceeded during the balance of the year?

The CHAIRMAN. That is production of alcohol?

Mr. SOURWINE. Yes, sir.

Dr. WHITMAN. There are reasons why it may be distinctly less. On the other hand maybe we can pretty nearly hold it.

Mr. SOURWINE. Will not the estimated loss in production of west coast wineries be made up if the present War Production Board plan to supply those plants with wheat sirup is adopted?

Dr. WHITMAN. Oh, you are asking about the development of a purely hypothetical point, that if this thing is successful, and we can get as much as if we had molasses—of course, the answer is yes, but that is such a hypothetical question that it should have no—you

should not regard it as having my engineering judgment on it—production judgment.

Mr. SOURWINE. How much do you estimate production in beverage plants will decline during the water shortage season from June to September?

Dr. WHITMAN. Well, our assumption is that we may lose over that 4 months—well, I guess I had better put it this way: We count on something like a 10 to 15 percent loss.

Mr. SOURWINE. What will that make the anticipated production of those plants during that season of June to September?

Dr. WHITMAN. Well, our present estimates are that in June they will make about 18½, in July about 18, and in August about 17, and September about 17.

Mr. SOURWINE. Is that above or below the production from those plants during the same season last year?

Dr. WHITMAN. It is the same, I believe. Just a minute.

It is slightly below.

Mr. SOURWINE. It is less than last year?

Dr. WHITMAN. Slightly.

Mr. SOURWINE. Do you know how much less, Doctor?

Dr. WHITMAN. Oh, the corresponding figures were 19.1 in June, 18.5 in July, 17.6 in August, and 17.5 in September.

Mr. SOURWINE. That is perhaps 2.7 or 2.8 million gallons less than you estimate for this year?

Dr. WHITMAN. I don't know, it could be added up.

Mr. SOURWINE. Isn't it true, Doctor, that beverage plant capacity has been considerably increased since last year?

Dr. WHITMAN. It has been somewhat increased, but recall, sir, that I am giving you the base of the beverage plants, and that where an increase resulting from an expansion in a plant is anticipated, that is in the category of new plants; it is not under the category of beverage plants.

Mr. SOURWINE. Any increase from a plant expansion goes into the new plant figure and not into the new production figure?

Dr. WHITMAN. If you will qualify that to say increases from the expansions which the War Production Board authorized as expansions.

Now, there have been improvements in plants which may or may not counterbalance which were not in the form of formal War Production Board authorization.

Mr. SOURWINE. How much has the production of beverage distilleries been increased by authorized expansions approved by the War Production Board, in terms of annual capacity?

Dr. WHITMAN. The authorized expansions by the War Production Board, giving rated capacity increase, I would guess that 30,000,000 gallons annually. The reason I say I would guess is that there is a group of about 18 projects, or so, most of which are in the distilleries, which combined amount to about 40,000,000 gallons, and I think that the distillery part of that would be about 30,000,000.

Mr. SOURWINE. That is included in your new plant figure?

Dr. WHITMAN. Yes. And that is all in the testimony before the Gillette committee, if you want to refer to what the particular plant projects were.

Mr. SOURWINE. Doctor, you have built some new plants from the ground up, haven't you?

Dr. WHITMAN. Yes; three of them.

Mr. SOURWINE. What is their annual capacity in production?

Dr. WHITMAN. Their rated capacity is a total for the three of them of 40,000,000 gallons.

Mr. SOURWINE. And those other increases amounted to how much?

Dr. WHITMAN. The miscellaneous group total up another 40,000,000. So that the authorized expansions which will be in operation during 1944 will total about 80,000,000 gallons. We anticipate getting about 60,000,000 gallons out of those plants this year. And, of course, we want to get the full 80.

Mr. SOURWINE. Isn't it true, Doctor, that many distilleries have since last year installed equipment to insure themselves of an adequate supply of cold water during the summer months?

Dr. WHITMAN. They are doing the best they can to protect against it. For example, just yesterday we approved another, in a series of projects, for one of the plants down in Louisville.

Mr. SOURWINE. There have been a number of such projects?

Dr. WHITMAN. Yes.

Mr. SOURWINE. And they may not be 100 percent efficient, but they will do some good or you would not approve them, I suppose.

Dr. WHITMAN. Yes.

Mr. SOURWINE. So that we have a situation where beverage plant capacity has been increased, where there has been some hedging against the lack of an adequate supply of cool water, and yet you estimate that those plants will produce during the water shortage months more than 2,000,000 gallons less than they produced during the same months of last year. Why?

Dr. WHITMAN. I explained to you that the main uncertainty is the grain supply. A secondary uncertainty—well, there are a number of others. One of them is that a good many of these plants are wearing out. Normally, the boilers in most of the plants operate 5 or 6 days a week. We are working them 7 days a week. In a good many cases, the boilers won't take it. They are being pushed and are running into a lot of trouble. In addition to that, we have, as all other industries have, the question of manpower. Now, who knows what that is going to amount to? We have had a good many telephone calls from the industry about the fact that they cannot save the men who are necessary to operate these plants. Now, that is not peculiar to alcohol. You know that. We have the uncertainty in terms of not only the grain raw material but from possible uncertainty about molasses. For example, the tanker situation has not improved as was anticipated. In fact, it is today tighter than we anticipated, and we may not get the molasses. Of course, that does not affect the beverage plant, which is the subject of your question.

Mr. SOURWINE. That is true, Doctor.

Dr. WHITMAN. So, I will just drop that last point.

Mr. SOURWINE. Doctor, isn't it true that there are at present idle facilities on the west coast for the production of alcohol?

Dr. WHITMAN. Yes, sir.

Mr. SOURWINE. And that those idle facilities could turn out at least 1,000,000 gallons of alcohol monthly from molasses or wheat syrup on the basis of their past records?

Dr. WHITMAN. Yes, sir.

Mr. SOURWINE. Isn't it true, Doctor, that redistillation plants with a total production monthly capacity of at least 1,000,000 gallons have been closed or shortly will be closed, as the few remaining high wine plants are converted to alcohol production?

Dr. WHITMAN. I don't feel quite qualified to answer that, sir; you may be right.

Mr. SOURWINE. You know that that is the program, you are converting them, and you are eliminating the redistillation?

Dr. WHITMAN. We are not going to do very much more converting of high wine.

Mr. SOURWINE. Your program is nearly finished?

Dr. WHITMAN. Our program is nearly finished, and there are going to be some permanent high wine producers whose product is redistilled because we can't justify putting in the equipment in the high wine plant.

Mr. SOURWINE. Doctor, is there any reason why those redistillation plants could not be converted to the production of alcohol from molasses or wheat sirup?

Dr. WHITMAN. You are talking now of the Pacific coast or generally all over the country?

Mr. SOURWINE. Generally, Doctor.

Dr. WHITMAN. Well—look, we haven't got the molasses.

Mr. SOURWINE. No. I am not asking that question at the moment. I am talking about capacity. You have pointed out that we are going to get a great deal more molasses from Cuba than we anticipated.

Dr. WHITMAN. Somewhat more. On the other hand, it won't be enough. We are very hungry for molasses.

Mr. SOURWINE. Let us start with this question to get essentially to the same thing.

Can a redistillation plant be converted to the production of alcohol from molasses or wheat sirup?

Dr. WHITMAN. It depends upon whether you have additional fermenting capacity and other things.

Mr. SOURWINE. What else does it involve?

Dr. WHITMAN. May I go back and say that we don't know whether we are going to have extra distilling capacity or not because I don't know what problems we may have in redistillation ahead of us. We have to consider whether possibly some of the alcohol brought up from Cuba might have to be redistilled when it got into this country.

Mr. SOURWINE. Doctor, isn't it true that the additional molasses needed for both the idle plants and for converted redistillation plants, if you were going to convert them, is now at least presumably available out of the prospective increase in the Cuban sugar crop?

Dr. WHITMAN. No. I had better explain this raw material situation, which is really tighter than the facilities situation.

We have in the country facilities capacity which is adequate to meet our program, but we are not certain that we will have enough material to go into those facilities to meet the program. That is why we have gone so far in the way of steps to insure maximum grain material from the Caribbean. We want to save grain because grain is—we are warned about the shortage of grain. We could use more molasses.

Mr. SOURWINE. Than you are going to get?

Dr. WHITMAN. Than we are going to get. We could use considerably more molasses than we are going to get.

Mr. SOURWINE. And when you did you would be releasing grain.

Dr. WHITMAN. Yes. We never can be satisfied on the amount of molasses that we want as long as the war program on alcohol is of the order of the magnitude that it is now estimated to be.

Mr. SOURWINE. But before you knew about the increasing supplies in Cuba, you had the thing fairly well in balance?

Dr. WHITMAN. No; that isn't a fair statement of it.

We are going to get all we can from the Caribbean, and we will make use of the grain for what we fail to get in the way of molasses.

Mr. SOURWINE. It is true, Doctor, isn't it, that we have an agreement with Cuba stipulating that other countries will not be permitted to export any more cane beverage spirits to the United States than they exported in 1943?

Dr. WHITMAN. There is an understanding with Cuba with respect to imports of cane beverage spirits from other foreign countries which is on a general basis of that type.

Mr. SOURWINE. Are you aware, Doctor, that various Central and South American countries have greatly expanded their alcohol production capacity in anticipation that they could sell it profitably for beverage purposes in the United States market?

Dr. WHITMAN. Cuba, primarily.

Mr. SOURWINE. Are you aware of no other countries?

Dr. WHITMAN. I am not aware factually. There are so many rumors about what is happening, some of which you know must be cock-and-bull stories.

Mr. SOURWINE. In dealing with a situation, however, when you do not have the facts, you have to make your own estimate of how much truth there is in the rumors, and use that as a figure until you get something better, do you not?

Dr. WHITMAN. Yes; but you may have so little faith in the rumor as to completely disregard the rumors of any expanded alcohol production anywhere except in Cuba.

Mr. SOURWINE. Well, now, taking all of the rumors that you cannot believe out of the picture, have you any idea how much that amounts to?

Dr. WHITMAN. I don't believe it amounts to very much, with the exception of Cuba and possibly Mexico.

Mr. SOURWINE. There has been some, however?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Now, the Cuban agreement will make it impossible for these countries which have had such expansion to ship their product into this country for beverage purposes, won't it?

Dr. WHITMAN. Beyond the quota right now.

Mr. SOURWINE. Well, we are talking about expansion beyond the quota right now, necessarily. Don't you recognize that our Government therefore may not only have the opportunity but be in some sense obligated to purchase substantial quantities of alcohol in various Central and South American countries—Latin-American countries?

Dr. WHITMAN. Only if it is practicable to produce industrial alcohol of suitable specification in bulk and provide the shipping to move it up here, which is very unlikely.

Mr. SOURWINE. Doctor, how much alcohol do you expect to get this year from imports?

Dr. WHITMAN. Twenty-five million gallons.

Mr. SOURWINE. Does that include 4,000,000 gallons from Mexico?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Does it include 12,000,000 from Canada?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Does it include a minimum of 12,500,000 from Cuba?

Dr. WHITMAN. Nine million from Cuba.

Mr. SOURWINE. Why not 12,500,000?

Dr. WHITMAN. That is what the F. E. A. contract requires. On the advice of Defense Supplies Corporation, we do not feel that we can count on 12,500,000 gallons in the calendar year 1944.

Mr. SOURWINE. Is that because Cuba isn't making it or we can't ship it?

Dr. WHITMAN. I would say it was a combination of all the factors, in the judgment of those people who have been down in Cuba.

Mr. SOURWINE. You are simply accepting the Defense Supplies' estimate that all you will get is 9,000,000?

Dr. WHITMAN. Yes; and I think they are about right, too.

Mr. SOURWINE. Doctor, there has been some talk about making alcohol from potatoes. Very briefly, what is that picture?

Dr. WHITMAN. There has been an excess of potatoes before the new crop comes in, which the War Food Administration has strongly urged us to use if possible for the manufacture of industrial alcohol.

Mr. SOURWINE. Are you using any of it?

Dr. WHITMAN. In order to use it it proved to be necessary to dehydrate the potatoes, and Commodity Credit made some arrangements for processing those potatoes to dehydrate them, and cars of the dehydrated potatoes have been sent to a number of distilleries.

Mr. SOURWINE. Are the results in on any of them?

Dr. WHITMAN. Yes; the early results in many cases were very discouraging, because the potatoes were not received in suitable condition; in some cases they have been rather encouraging. This is a short-time operation in the disposal of a current excess.

Mr. SOURWINE. You don't know what the total anticipated production from potatoes might be this year?

Dr. WHITMAN. It will be rather small. It won't be important.

Mr. SOURWINE. Is that ethyl alcohol?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Is it suitable for use in the rubber program?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Suitable for beverage purposes?

Dr. WHITMAN. Yes.

Mr. SOURWINE. But you would say it is a negligible factor in the whole program?

Dr. WHITMAN. Yes.

Mr. SOURWINE. Is it because it was a negligible factor that you have taken over for the industrial alcohol program this little chap out in Idaho who was making potato alcohol for beverage consumption?

Dr. WHITMAN. No. In that particular case, a project was approved by the War Production Board for the production of industrial alcohol. The plant was constructed, and due to a misunderstanding it started

to make beverage alcohol, and attention was called that we wanted it directed to industrial alcohol, it was an industrial alcohol distillery, and it is being so directed.

Mr. SOURWINE. It was not simply a case that regardless of the need for alcohol, or perhaps because of what you considered a great need for all possible supplies of alcohol, you do not want to permit anybody to make beverage alcohol out of anything at this time?

Dr. WHITMAN. No. Beverage alcohol is being made in the form of rum and brandy entirely legally.

Mr. SOURWINE. How about whisky?

Dr. WHITMAN. No.

Mr. SOURWINE. If there was a plant—and I put this in the form of a hypothetical question: If there was a plant whose facilities you did not desire to use, a plant which you would not give a production certificate and which the Defense Supplies would not give a contract, would you have any objection to that plant making whisky?

Dr. WHITMAN. I would rather not try to answer a hypothetical question of that type. I would want to go into the issues.

Mr. SOURWINE. Do you know whether the War Production Board has ever in similar circumstances refused to permit a plant to make whisky, refused to take his capacity for industrial alcohol, kept him idle, forced him out of business?

Dr. WHITMAN. I don't believe so, sir.

Mr. SOURWINE. You wouldn't want your division to be responsible for doing that, would you, Dr. Whitman?

Dr. WHITMAN. We certainly do not want to adopt a dog-in-the-manger attitude.

Mr. SOURWINE. Doctor, what is high-cost alcohol?

Dr. WHITMAN. Alcohol that costs a lot of money.

Mr. SOURWINE. How many plants are producing high-cost alcohol under that definition?

Dr. WHITMAN. Lots of them.

Mr. SOURWINE. Do you know what the known production cost in any of those plants is?

Dr. WHITMAN. It is entirely a relative matter.

Mr. SOURWINE. Let us set a relative figure of what is a lot of money.

Dr. WHITMAN. I think 90 cents a gallon is a lot of money.

Mr. SOURWINE. So do I, Doctor.

Dr. WHITMAN. And that is the average cost of about all the grain alcohol that is made.

Mr. SOURWINE. Now, taking that as an average, it is probably not the median, do you know how many gallons are produced by plants whose production cost exceeds 90 cents?

Dr. WHITMAN. No; I don't.

Mr. SOURWINE. Have you any estimate?

Dr. WHITMAN. No; I haven't.

Mr. SOURWINE. Is it half of the total production?

Dr. WHITMAN. I don't know.

Mr. SOURWINE. Wouldn't you know it is nowhere near half?

Dr. WHITMAN. No; I don't know.

Mr. SOURWINE. It may be half?

Dr. WHITMAN. You may be surprised about this, but our problem is production; we have got to get out this production of alcohol.

Mr. SOURWINE. Perhaps we can get that figure from D. S. C.

You know, of course, that if the average is 90 cents, there are some plants producing at a cost considerably in excess of 90 cents?

Dr. WHITMAN. Arithmetic would tell you it had to be so.

Mr. SOURWINE. By lumping those high-cost plants with the low-cost plants, you get the 90-cent average.

Dr. WHITMAN. Yes.

Mr. SOURWINE. And if you could eliminate the plant with the higher cost, the average would go down?

Dr. WHITMAN. Yes, sir.

Mr. SOURWINE. So that inclusion of alcohol from those high-cost plants in the production program is justifiable only on the ground that the alcohol those plants produce is essential to the war program and cannot be secured from any other source?

Dr. WHITMAN. That is correct.

Mr. SOURWINE. If the alcohol is not needed, or if the the—

Dr. WHITMAN. May I just explain that a little bit?

Mr. SOURWINE. Surely.

Dr. WHITMAN. It is justified on the ground that the alcohol is needed for the rubber program.

Mr. SOURWINE. If the alcohol is not needed or if it can be secured more economically elsewhere, then the present policy is unjustifiably increasing the cost of the rubber program, isn't it?

Dr. WHITMAN. If the alcohol is not needed we are not going to take it.

Mr. SOURWINE. All right, Doctor. You realize that preventing these so-called high-cost plants from producing beverage alcohol is contributing largely to the shortage of liquor?

Dr. WHITMAN. No more than preventing the low-cost plants from making beverage alcohol.

Mr. SOURWINE. Doctor, are you familiar with the holdings of liquor stocks by the so-called Big Four distilleries?

Dr. WHITMAN. Not in the slightest.

Mr. SOURWINE. Let me rephrase it. Would it surprise you to know that the inventories of matured and new spirits held by three of the Big Four have increased each year since 1940 and that the inventory of the fourth company while lower last year than in 1942 was higher than in either 1940 or 1941?

Dr. WHITMAN. I don't know anything about that.

Mr. SOURWINE. Mr. Chairman, I should like to insert in the record at this point a table showing the inventories of the Big Four distilleries separately as reported to the Securities and Exchange Commission.

The CHAIRMAN. It may be inserted in the record.

(The table referred to is as follows:)

INVENTORIES AS REPORTED TO SECURITIES AND EXCHANGE COMMISSION
NATIONAL DISTILLERS PRODUCTS CORPORATION AND WHOLLY OWNED SUBSIDIARY COMPANIES

Inventories—Matured and new spirits at cost	
Dec. 31, 1940	\$34,717,448
Dec. 31, 1941	38,544,602
Dec. 31, 1942	44,284,249
Dec. 31, 1943	(1)

(1) Not as yet available, however, annual report to shareholders indicate that total inventories were \$45,926,810 as compared to total inventories at the end of 1942 in the amount of \$47,244,363.

SCHENLEY DISTILLERIES CORPORATION AND SUBSIDIARY COMPANIES

Inventories—Matured and new spirits at cost

Aug. 31, 1940.....	\$47, 152, 285
Aug. 31, 1941.....	51, 552, 562
Aug. 31, 1942.....	58, 227, 455
Aug. 31, 1943.....	66, 146, 030

HIRAM WALKER-GOODERHAM & WORTS, LTD., AND WHOLLY OWNED SUBSIDIARY COMPANIES

Inventories—Spirits including bottling materials and case goods

Aug. 31, 1940.....	\$23, 977, 680
Aug. 31, 1941.....	27, 302, 199
Aug. 31, 1942.....	34, 148, 656
Aug. 31, 1943.....	29, 287, 710

DISTILLERS CORPORATION—SEAGRAMS, LTD., AND SUBSIDIARIES

Inventories—Whiskies and spirits at available cost July 31, 1940

July 31, 1940.....	\$40, 091, 300
July 31, 1941.....	48, 204, 586
July 31, 1942.....	56, 178, 381
July 31, 1943.....	59, 985, 508
Nov. 30, 1943.....	85, 746, 254

The CHAIRMAN. Mr. Sourwine, how much longer do you intend to be?

Mr. SOURWINE. About 10 minutes.

The CHAIRMAN. Very well.

Mr. SOURWINE. Doctor, are you aware that the policies of the War Production Board and of the Office of Price Administration have contributed largely to the situation under which the big distilleries have been able to buy up small distilleries and the stocks of alcohol owned by those distilleries?

Dr. WHITMAN. No, sir.

The CHAIRMAN. What was the answer?

Dr. WHITMAN. "No, sir."

Mr. SOURWINE. You realize they have been able to buy up the smaller distilleries?

Dr. WHITMAN. Merely as I read it in the papers.

The CHAIRMAN. Your department takes no steps to enlighten itself in that regard?

Dr. WHITMAN. The problem of beverage alcohol is not our responsibility, sir. We have got to get out industrial alcohol production for the war program.

Mr. SOURWINE. According to a recent War Production Board press release the beverage industry contributed more alcohol to the war program during the period from January 1, 1942, to April 1, 1944, than the entire combined requirements of the rubber program, lend-lease, and direct military use. Is that right?

Dr. WHITMAN. Yes.

Mr. SOURWINE. In other words, all the expanded production from industrial alcohol plants and the production from new plants constructed at Government expense, the production of synthetic alcohol, and all imports were available to supply the requirements for indirect military and civilian uses and antifreeze?

Dr. WHITMAN. That is correct. You realize, of course, that the effect of new plants in that period is substantially nothing. You realize also that the regular industrial production, based on molasses, was operated at a pretty low level in terms of potential capacity, because of the lack of the molasses supply.

Mr. SOURWINE. Isn't it an inverted viewpoint to regard production by beverage distilleries as the basic supply for the war program?

Dr. WHITMAN. You are making the assumption that the indirect military and civilian category is not essential to the war program, which is utterly mistaken.

Mr. SOURWINE. If there are any items of use which are not essential to the war program they are included in that category; are they not, Doctor?

Dr. WHITMAN. They are all essential to the war program. We are restricting the distribution of alcohol to fit into the needs of the war program.

Mr. SOURWINE. Dr. Whitman, there can be no question concerning the importance to the war program of alcohol for direct military use, can there?

Dr. WHITMAN. No, sir.

Mr. SOURWINE. And there can be no question of the importance to the war program of alcohol for lend-lease?

Dr. WHITMAN. No, sir.

Mr. SOURWINE. And there can be no question of the importance to the war program of alcohol for the rubber program?

Dr. WHITMAN. No, sir.

Mr. SOURWINE. So that if anyone wants to raise a question of the importance to the war program of any use of alcohol he must put his finger on a use in the category of indirect military and civilian and including antifreeze.

Dr. WHITMAN. Yes; and if he wants to question it we tell him he is wrong.

Mr. SOURWINE. You don't think it would be a sounder view to apply all the production from the industrial alcohol plants and from synthetic plants and all the imports and new plants to these super-essential uses and call upon beverage distillery production capacity for any balance of supply that is required?

Dr. WHITMAN. I don't believe I got the significance of the question.

Mr. SOURWINE. In issuing that release you presented the production of the beverage distilleries as the basic production for direct military use, the rubber program, and lend-lease.

Dr. WHITMAN. I said that their production had been adequate to meet those requirements. There is nothing in that statement that says that physically each gallon from the distilleries was the only gallon that went into meeting lend-lease, because obviously that isn't true.

Mr. SOURWINE. You did not intend in phrasing that release to give the implication that all possible available production from beverage distilleries was absolutely essential for war purposes?

Dr. WHITMAN. I did.

Mr. SOURWINE. Doctor, I would like to ask about two more questions.

I still have three minutes, Mr. Chairman.

The CHAIRMAN. Very well.

Mr. SOURWINE. I would like to know, Doctor, if you have any knowledge of reasonably prospective future requirements for alcohol in connection with the war program which you have not presented to the committee, including, perhaps, knowledge of any facts which you do not feel you could present to the committee in public hearing but which you might present to the committee in executive session?

Dr. WHITMAN. Well, I think, sir, that if this was off the record I might speak on this point—

Mr. SOURWINE. Well, Doctor, is there any reason for having an off-the-record statement with the room full of people?

Dr. WHITMAN. Let it be on the record. I will try to so word it so that it can be on the record.

Mr. SOURWINE. Fine.

Dr. WHITMAN. There are certain military contingencies of which we are aware which are not included in our requirements to date. I cannot go into those military contingencies except to mention that the inception of gas warfare would be one of them.

Mr. SOURWINE. Gas warfare?

Dr. WHITMAN. Gas warfare. If those things developed it would not at all be unreasonable to have this combination of direct military and lend-lease nearly doubled in its amount. We have indicated to you that our requirements for that combination is, I believe 79,000,000 gallons.

Mr. SOURWINE. Yes.

Dr. WHITMAN. It could occur that we had to supply sixty or seventy million gallons more than anything shown in this record in the event of certain military contingencies.

I would like to also point out that the rubber program is by no means over the hump, as we understand it, and that the production of butadiene from petroleum, which we all hope is going to come along to take a major burden of this butadiene load, is by no means assured as yet, and, as Mr. Nelson pointed out, there might be additional military demands. I know, too, that Colonel Dewey, if in a tight corner, could make changes at his butadiene-from-alcohol plants which would increase their production of butadiene, and correspondingly call for more alcohol.

Now, those are contingencies for which we must be prepared. We are not going to be caught with too little too late.

Mr. SOURWINE. This is my final question, Senator.

The CHAIRMAN. Very well.

Mr. SOURWINE. If these military contingencies of which you speak fail to develop, one of the reasons for maintaining and continuing to build, if possible, a stock pile of alcohol will have evaporated?

Dr. WHITMAN. That is correct.

Mr. SOURWINE. One of these which you mentioned is gas warfare. If gas warfare is going to develop it presumably will develop at or about the time of the invasion, so that perhaps the drinkers of the country may look forward to some release of potable beverage alcohol if we have an invasion and do not have gas warfare. Is that a flighty conclusion, Doctor?

Dr. WHITMAN. I don't believe I better comment on that, sir.

Mr. SOURWINE. Don't mind my feelings, Doctor.

Dr. WHITMAN. I don't think I am competent to pass on the military question of whether the threat of gas warfare would develop or not with the early stages of an invasion.

Mr. SOURWINE. No; I didn't ask that, but that is one of the contingencies that you are bearing in mind in building up this stock pile of alcohol?

Dr. WHITMAN. Yes; and I would say this, as times goes on and the program develops further, perhaps we won't need to have in the future as great a safety factor as in the past; but if these things go in the wrong direction and we find requirements going up while supplies diminish, why, then, we will be darned glad we didn't get caught short on our alcohol.

Mr. SOURWINE. And on Dr. Whitman's last word, I have no further questions.

The CHAIRMAN. We will stand in recess until further notice.

(Whereupon, at 12:30 p. m., an adjournment was taken, subject to call of the Chair.)

LIQUOR INDUSTRY

THURSDAY, MAY 18, 1944

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met, pursuant to call, at 10 a. m., in room 457, Senate Office Building, Senator Pat McCarran (chairman) presiding.
Present: Senators McCarran (chairman) and Ferguson.
Also present: J. G. Sourwine, committee counsel.
The CHAIRMAN. The committee will come to order.
Mr. Sourwine, will you call whomsoever you are going to hear?
Mr. SOURWINE. I will call Mr. Sidney Scheuer.

STATEMENT OF SIDNEY H. SCHEUER OF THE FOREIGN ECONOMIC ADMINISTRATION

The CHAIRMAN. You may state your name and your official position for the record, please.

Mr. SCHEUER. Sidney H. Scheuer, Executive Director, Bureau of Supply, Foreign Economic Administration.

The CHAIRMAN. You may proceed, Mr. Sourwine, to interrogate.

Mr. SOURWINE. Mr. Scheuer, we will jump around a little bit today because the purpose of calling you was not to go into great detail concerning any of the operations of the Foreign Economic Administration, but rather to plug up some gaps, or I might say to supplement testimony already in the record so as to present a complete picture.

Apparently there has been a great deal of misconception or misinterpretation concerning certain provisions in the agreement with Cuba for the purchase of alcohol and blackstrap molasses. Much of that misconception or misinterpretation centers around the question of whether there was any commitment by or on behalf of this Government against releasing beverage alcohol during the period of the Cuban agreement.

I wish you would discuss that point, sir.

Mr. SCHEUER. The documents that were exchanged, are I assume part of the record of this committee.

Mr. SOURWINE. They are not in the record yet, sir. I have them here.

Mr. SCHEUER. Well, we will be glad to put them in the record. I should say that the exchange of notes as supplemented by the Ambassador's memorandum, sets forth the undertakings which were concluded, and no other understandings unrecorded were concluded. The conversations included all kinds of considerations, some of which of course, we were not interested in, and some of which were rejected.

Mr. SOURWINE. Mr. Chairman, since we probably will, at a later date, go quite fully into the Cuban alcohol situation, and at that time I wish to put into the record the full text of the agreements and of the notes exchanged, may I suggest that at this time we insert in the record only two pertinent passages from those notes, one from the note of the Cuban Minister of State, Señor Santovenia, and one from the United States Ambassador, Mr. Spruille Braden.

The CHAIRMAN. In order that the committee may have a view of them—they are not very lengthy, will you read them into the record?

Mr. SOURWINE. Surely. Under date of February 12, a note of Señor Santovenia—this was, I believe, point 6 in a draft stipulation that he was making while you were working on the negotiation, was it not?

Mr. SCHEUER. Yes.

The CHAIRMAN. What official position does he hold with Cuba?

Mr. SOURWINE. He is Minister of State.

Mr. SCHEUER. That is right.

Mr. SOURWINE (reading):

There shall be an exchange of notes between the Governments of Cuba and the United States in which it will be categorically set forth that, by virtue of these negotiations, it is understood and agreed that all the black strap molasses and all the industrial alcohol sold to the agency designated by the Government of the United States will be destined, solely and exclusively, for industrial purposes, since Cuba is disposed to carry out the transaction which is being negotiated in a spirit of war cooperation, and that the right reserved to Cuba will not be prejudiced, directly or indirectly by the release of domestic alcohol as a result of obtaining ours or the raw material for its manufacture.

The CHAIRMAN. May I just say one word, what was that last word—will not be what?

Mr. SOURWINE. Prejudiced.

The CHAIRMAN. Oh, yes. Go on.

Mr. SOURWINE. And the reply from our Ambassador, under date of February 16:

The United States Government * * * is further disposed to assure the Cuban Government by an exchange of notes, that, in accordance with the spirit of the agreement reached, the blackstrap molasses and industrial alcohol by Cuba to the United States will be destined for industrial purposes.

Those are the communications you had in mind, I believe, Mr. Scheuer, when you said they contained the full spirit, are they not?

Mr. SCHEUER. What you have read is taken out of its context and I should like to make it clear that the portion of the Cuban note you read embodied those requests, not conditions.

Mr. SOURWINE. Yes.

Mr. SCHEUER. They were requests after we had submitted our final terms to the Cuban Government.

Mr. SOURWINE. Yes, sir.

Mr. SCHEUER. There were many other requests included in that particular document.

Mr. SOURWINE. However, you do not mean to say, do you, sir, that the actual contract between the Defense Supply Corporation, I believe it is, and the Cubans covers all of the terms and agreements of this understanding?

Mr. SCHEUER. Well, the contract plus the exchange.

Mr. SOURWINE. That is what I mean. There must be—

Senator FERGUSON (interposing). Which is part of the exchange?

Mr. SCHEUER. No, the concluding note that was sent by our Ambassador in its entirety would be regarded as part of the answer to this communication. The note stated in substance that we would not make any of these concessions; that our proposal stood as submitted with one or two technical exceptions with reference to delivery and things of that kind.

Senator FERGUSON. You would, however, say that we have lived up to this?

Mr. SCHEUER. Oh, yes.

Senator FERGUSON. There is no doubt about that?

Mr. SCHEUER. We have lived up to our undertaking, yes.

Senator FERGUSON. No doubt—there is no doubt that we have lived up to what is stated here this morning, that we will only use it for industrial purposes.

Mr. SCHEUER. Yes; quite so.

Senator FERGUSON. And in no way are we to use it to release alcohol for beverage purposes.

Mr. SCHEUER. To the best of my knowledge it is a fact that we have not released alcohol for beverage purposes.

The release of alcohol for beverage purposes and the control of the domestic situation is a War Production Board matter with which our agency does not have anything to do.

Senator FERGUSON. If you could explain as to why Cuba wanted this included—

Mr. SCHEUER. Well, in the discussions there were all kinds of proposals as I have indicated before.

Senator FERGUSON. What was the underlying purpose of this exchange?

Mr. SCHEUER. The underlying purpose which Cuba had in mind, I take it, was not to impair her competitive position in the beverage-alcohol field.

Mr. SOURWINE. Isn't it true, Mr. Scheuer, that Cuba had insisted upon and had secured an import quota that would allow her to bring in 14,300,000 gallons of cane beverages first, and that there was some feeling on the part of the Cubans that if we released beverage alcohol here that quota might not do them as much good as it would otherwise on the theory that all of that amount that they could import might not be readily sold if American-made whisky were readily available?

Mr. SCHEUER. I don't think it was that. I think they wanted to hold a competitive position which they envisaged as growing.

Mr. SOURWINE. Doesn't it amount to the same thing?

Mr. SCHEUER. Yes.

Senator FERGUSON. But their competitive position today is entirely different than it would be if we were producing alcohol normally for beverage purposes.

Mr. SCHEUER. They have taken advantage of the wartime restrictions on the production of beverage alcohol in the United States—there is no doubt about that.

Senator FERGUSON. Yes. Isn't it true that instead of sending the 190-proof alcohol here, they are sending rums and gins which are not 190, and therefore they can go above the 14,000,000 gallons?

Mr. SCHEUER. No; that is not a fact.

Senator FERGUSON. That is not a fact?

Mr. SCHEUER. No. They are limited strictly to 14,300,000 of 100 proof.

Senator FERGUSON. Of 100 proof.

Mr. SCHEUER. Yes; and they are also limited—

The CHAIRMAN. If they reduced the proof why—

Senator FERGUSON. Rum is not 100 proof.

Mr. SCHEUER. You mean if it is 90 proof?

Senator FERGUSON. That is what I mean to say. Therefore they can bring more in because they can bring in 90 proof.

Mr. SCHEUER. I think the gallonage was over-all gallonage of 100 proof. I am quite sure about that.

The CHAIRMAN. Will the gentleman with you please state his name for the record?

Mr. BLAU. My name is Clarence I. Blau, Assistant General Counsel, Foreign Economic Administration.

The CHAIRMAN. Yes.

Mr. BLAU. The restriction applies to the number of proof gallons of beverage alcohol and spirituous liquors made from cane.

Now, it is true, if they bring it in in the form of 85 or 86 proof alcohol instead of in the form of 100 proof alcohol, they would bring in more physical gallons than 14,300,000.

The CHAIRMAN. In other words, they could bring in a greater gallonage by reducing the proof.

Mr. BLAU. They could bring in a greater gallonage by reducing the proof. They could not bring in a greater total volume of alcohol by doing that.

Senator FERGUSON. Now, do you know whether, as a fact, they have on any occasion reduced the proof in bringing in various beverages?

Mr. BLAU. Of course, sir, they do that, but that does not come in ex quota. That comes in as part of her quota.

Senator FERGUSON. Yes; but they get more actual gallons.

Mr. BLAU. They get more actual gallons.

Mr. SCHEUER. It is open to other countries.

Mr. SOURWINE. They get more actual gallons—

Mr. SCHEUER. That is right.

Senator FERGUSON. Do you, Mr. Blau, know the reason for these notes; do you know why Cuba wanted them?

Mr. BLAU. Mr. Scheuer was down in Habana. I was not. So he would be in a better position to testify on that than I would.

Senator FERGUSON. What was the underlying reason, Mr. Scheuer?

Mr. SCHEUER. I don't understand—

Senator FERGUSON. Besides this formal language—that is rather formal language, very cold language—was the underlying arguments or talk.

Mr. SCHEUER. The underlying feeling was that the Cubans expected 1944 to be a banner year for the export of beverage alcohol and that huge profits would result therefrom.

At the time we arrived there, I should say that the monthly rate of export had attained probably twenty-four to thirty millions per annum, and there was every reason to believe that it would mount very quickly thereafter. When we insisted that there be a limitation, it was a rather difficult economic sacrifice for the Cubans, having envisaged these larger profits and this enormous trade.

Does that answer your question?

Senator FERGUSON. That was the real reason?

Mr. SCHEUER. It would seem so to me.

Senator FERGUSON. For the notes. Now, do we have any other agreement, not in writing, that this would actually be the result?

Mr. SCHEUER. Oh, no; none whatsoever.

Mr. SOURWINE. The 14,300,000 gallons was really a compromise, was it not? Cuba wanted more, and so far as you were concerned, you would have been happy to have given her less?

Mr. SCHEUER. Oh, yes.

Senator FERGUSON. Did you give a reason to her for wanting that limit at 14?

Mr. SCHEUER. Well, 14 was the total of the previous year, the calendar year 1943.

Senator FERGUSON. That was a very high year.

Mr. SCHEUER. That was a very high year. They had built this industry up to a large capacity, and there was no indication given them up to that time that there would be any limitation.

Senator FERGUSON. Have they any greater capacity now than they are actually using in Cuba?

Mr. SCHEUER. They have a very much greater capacity for beverage alcohol than they are actually using.

Senator FERGUSON. That is what I mean.

Mr. SCHEUER. Oh, yes.

Senator FERGUSON. Would that in any way interfere with our production of alcohol if they did go ahead and make beverage alcohol?

Mr. SCHEUER. They cannot do that. According to our agreement the amount of molasses that is allocated by the Sugar Institute for that purpose is in ratio to this 14 to 3. Do I make myself clear?

Senator FERGUSON. Yes.

The CHAIRMAN. Was there any private agency that sat in the conference in Cuba?

Mr. SCHEUER. There was a commission headed by the Minister of Agriculture, and six others; two representing the growers, two the processors, and two the alcohol people.

Senator FERGUSON. Anybody sit on that side?

Mr. SCHEUER. Our representatives were Mr. Wilson of the Commodity Credit Corporation, and Mr. Sabin of Defense Supplies Corporation, and Mr. George Ball of our General Counsel's office, Mr. Jack Eyre, and Mr. Ferguson who was consultant on molasses to the Defense Supplies Corporation.

Senator FERGUSON. Who is Mr. Eyre?

Mr. SCHEUER. Mr. Eyre is an F. E. A. man.

Senator FERGUSON. No one sat in from the liquor interests here?

Mr. SCHEUER. No.

Senator FERGUSON. Had they been consulted?

Mr. SCHEUER. No. We had a directive from the War Production Board.

Senator FERGUSON. Well, anyone representing the distillers of America?

Mr. SCHEUER. There was no industrial representative as a member of that delegation.

Senator FERGUSON. Now, did you confer with anybody—

The CHAIRMAN. Just a moment. As a member of the delegation, you say there was no representative of industry?

Mr. SCHEUER. The delegation was not divided by industries or anything like that. It was a delegation that was representative of men who were conversant with the general problem of getting molasses and alcohol from Cuba.

The CHAIRMAN. But were there private industries, the heads of the distilling industry in the conference at any time?

Mr. SCHEUER. No.

The CHAIRMAN. Not at all?

Mr. SCHEUER. Down in Cuba, you mean?

The CHAIRMAN. Yes; not at all?

Mr. SCHEUER. No, sir.

Senator FERGUSON. Were they consulted?

Mr. SCHEUER. No, sir.

Senator FERGUSON. Then you did not consider it important to consult any of the industry here?

Mr. SCHEUER. On what?

Senator FERGUSON. The beverage industry.

Mr. SCHEUER. We did not consult the industry, the sugar industry, or the alcohol industry, or the molasses industry. We were given a directive to procure the maximum of these commodities under the most favorable terms.

Senator FERGUSON. From whom did you get that directive?

Mr. SCHEUER. The War Production Board. We proceeded in the most informed manner that we could, by gaining as much information as we could about the subject, and then we negotiated the question out with the Cubans.

Senator FERGUSON. Now, that directive, if you had followed that closely, these notes would have been agreeable, would they not?

Mr. SCHEUER. I do not think it was within the limits of our powers to bind our Government to domestic action without consultation. Certainly we had no such power, I would say.

Mr. SOURWINE. To round that out, Mr. Scheuer, and make one very positive statement for the record, is it definitely your understanding that neither the United States Government nor any agency of that Government is committed to a course of action involving a prohibition of the release for manufacture of beverage spirits during the term of this Cuban agreement?

Mr. SCHEUER. I would say that I went down there to present to these people an urgent demand and claim upon their productive resources based on war needs. If there was a change in those war needs, for example, it would seem to me that it would be a question for consideration by the Department of State as to whether or not the Cuban Government should be apprised of that.

Mr. SOURWINE. In other words, then, we are morally bound by this language in these notes because of our representation.

Mr. SCHEUER. I would say that as a matter of comity of nations, that we were; yes, sir.

Senator FERGUSON. That is what I was trying to ask for originally, whether or not we did not have an understanding that this was binding upon us, not in writing, no, but an agreement between the nations.

Mr. SCHEUER. Well, I think the only thing I would say on that, sir, is that it naturally flows from the demands we made for the rigid limitation of the use of molasses both for their carburente and in every other way.

Senator FERGUSON. Then, as I understand it, this Nation is bound at the present time in agreement with Cuba not to give any alcohol in this country for beverage purposes, or not make any; is that correct?

Mr. SCHEUER. I would not say "yes" to that.

Senator FERGUSON. Well, you feel that if we did make it, then Cuba should be considered, and if necessary, released from her agreement.

Mr. SCHEUER. I would not make as positive a statement as that.

Senator FERGUSON. You would not go that far?

Mr. SCHEUER. Certainly not.

Mr. SOURWINE. You don't want to go any further than to say that the Cuban Government should be consulted before we made such release?

Mr. SCHEUER. I think it should be informed.

Senator FERGUSON. What is the difference between consulted and informed?

Mr. SCHEUER. I do not think we are bound to consult them, but I think—this is merely personal opinion, and of course one that is not binding upon the Department of State, which as the final judge of these things—that it would be the proper thing to inform them that we find ourselves in an easier position, and that by reason of domestic considerations, we are thinking thus and thus.

Senator FERGUSON. Well, do you think that might have some influence on W. P. B. in giving a breathing spell?

Mr. SOURWINE. Or refusing to give—

Senator FERGUSON. Or refusing to give one.

Mr. SCHEUER. I think W. P. B. is entirely free to handle the matter on its merits without—

Senator FERGUSON (interposing). But this was entered into under their directive.

Mr. SCHEUER. Yes.

Senator FERGUSON. Their representations to Cuba were in effect that we would not release any.

Mr. SCHEUER. No; the directive from the War Production Board is a directive to buy the maximum of these commodities whatever the commodities may be.

Senator FERGUSON. But to buy those you made certain representations, and those representations were given to you by the W. P. B.

Mr. SCHEUER. My establishment—

Senator FERGUSON. Therefore would not the War Production Board feel that they had already made representations to Cuba that none would be released for beverage purposes?

Mr. SCHEUER. Well, I think it is a question of fact, rather than—

Mr. SOURWINE. What you mean, sir, is perhaps that you do not know whether W. P. B. would recognize that as a moral obligation?

Mr. SCHEUER. Yes, I do not know whether they would or would not, but I would expect that they would deal with the matter on the merits.

Mr. SOURWINE. It would be your thought, however, that the Cubans would feel that there is a moral obligation on our part, and might be legally, perhaps, not to release beverage alcohol.

Mr. SCHEUER. Well, I don't know that their protest would be valid.

Mr. SOURWINE. No; but there might be such a protest.

Mr. SCHEUER. Yes; there might be such a protest.

The CHAIRMAN. You would just take it, by and large, using your own judgment, supported by your knowledge of the transaction, that we are morally bound not to release consumptive alcohol here.

Mr. SCHEUER. Yes; I would think that we should not proceed without any mention of it, I think it would be unnecessarily harmful, and could be met by —

The CHAIRMAN (interposing). Reprisals?

Mr. SCHEUER (continuing). informing them. I think it could be met—I don't think that there would be any insurmountable difficulties.

Mr. SOURWINE. Mr. Scheuer, do you have anything to do with the setting of import quotas?

Mr. SCHEUER. Import quotas are set by the War Production Board.

Mr. SOURWINE. Yes; but this particular import quota was set at the request of the Foreign Economic Administration, was it, sir?

Mr. SCHEUER. You mean this 14, 3?

Mr. SOURWINE. Yes, sir; not the amount, but the fact of setting the quota.

Mr. SCHEUER. It was the result of these negotiations.

Mr. SOURWINE. It was an action taken by the War Production Board at your request and in aid of your negotiation.

Mr. SCHEUER. Yes. It was taken by both counts, Cuba themselves agreed to put a limitation on the export and we agreed to a limitation of imports.

The CHAIRMAN. Why did you want Cuba to put a limitation on the export from Cuba?

Mr. SCHEUER. They wanted it, they wanted to do it as a sovereign nation, they wanted to take this action voluntarily so to speak, as a positive contribution—

Mr. SOURWINE. Is it not true, sir, that your request for the establishment of such an import quota was a rather urgent one, and met at least some opposition from W. P. B.?

Mr. SCHEUER. You mean while the negotiations were on?

Mr. SOURWINE. Yes.

Mr. SCHEUER. I don't know that to be a fact.

Mr. SOURWINE. You simply made a request to W. P. B. and quotas were put into effect without any argument about them?

Mr. SCHEUER. We kept the Department of State informed, and the other agencies of the Government fully informed daily of the course of these discussions. Mr. Blau indicated to me that you are probably referring to the preliminary discussions before we went down—

Mr. SOURWINE. Yes, sir.

Mr. SCHEUER. Well, at that time, in canvassing the situation and the probable course of the negotiation, it was indicated that it would be probable that we would have to put some control on. But there was no agreement then as to what that control would be, what form it would take, or what period of time it would cover.

Mr. SOURWINE. So that the limitation of imports of cane spirits from Cuba and the amount they should send into this country last year was not in any sense a club which you used in your negotiations.

Mr. SCHEUER. Well—

Senator FERGUSON. Do you want the word "club" out?

Mr. SCHEUER. I would rather not answer that question. Will you state the question without the "club."

Mr. SOURWINE. I will try to.

The CHAIRMAN. Was it an inducement?

Mr. SCHEUER. The Senator is very sympathetic to my position. Senator FERGUSON. I figured you hesitated on the word "club."

Mr. SCHEUER. Yes; would you restate it?

Mr. SOURWINE. Was the import quota limitation, preventing Cuba from importing this year more than they had imported last year, an element which aided you, or which you considered would aid you in your negotiations with Cuba?

Mr. SCHEUER. Yes; I think so.

Mr. SOURWINE. Are you familiar, sir, with the quota regulations under these import quotas?

Mr. SCHEUER. That W. P. B. has applied?

Mr. SOURWINE. Yes, sir.

Mr. SCHEUER. No; I am not.

Mr. SOURWINE. Do you know whether the W. P. B. allocates the quota among the importers on any basis?

Mr. SCHEUER. I have no knowledge of the details of their plan.

Mr. SOURWINE. Mr. Scheuer, do you know whether there are import quotas for Puerto Rico and the Virgin Islands?

Mr. SCHEUER. Well, there is a limitation but not an import quota.

Mr. SOURWINE. What kind of limitation?

Mr. SCHEUER. Production.

Mr. SOURWINE. A production limitation?

Senator FERGUSON. Does that limit the amount of alcohol that we get?

Mr. SCHEUER. Of beverage alcohol?

Senator FERGUSON. Yes.

Mr. SCHEUER. It does not directly; it limits the production thereof in the islands.

Mr. SOURWINE. There are stocks of beverage alcohol in both the Virgin Islands and Puerto Rico, are there not?

Mr. SCHEUER. I believe so.

Mr. SOURWINE. And the importation of those stocks is not controlled by any quota?

Mr. SCHEUER. That is right.

Mr. SOURWINE. Now, Government House rum is made in one of those islands; which is it?

Mr. SCHEUER. I am informed the Virgin Islands.

Mr. SOURWINE. Do you know whether the production quota affects the production of Government House rum?

Mr. SCHEUER. I don't, but I should think that that could be made available to you very easily—the W. P. B. could make that available.

Mr. SOURWINE. We simply have you here, we cannot figure it—

Mr. SCHEUER. I have no knowledge.

Mr. SOURWINE. That particular brand has almost vanished from the shelves of liquor stores, if I may testify to that extent, Mr. Chairman; and I was wondering whether that was the result of a cessation of production.

Mr. SCHEUER. I would doubt very much that there would be any reduction as a result of this action in the sales as against 1943.

Senator FERGUSON. As I understand it then, the limitation is on the production of rum at the present time.

Mr. SCHEUER. That is in Puerto Rico.

Senator FERGUSON. Yes; and the importation. You can import the amount previously made; there is no limitation on that.

Mr. SCHEUER. I believe that is correct.

Senator FERGUSON. Is that correct?

Mr. BLAU. That is correct. Senator, of course, the reason for that is that both Puerto Rico and the Virgin Islands are part of the United States of America and there are no true imports from there. The War Production Board felt quite properly, as we agreed, that any attempt to limit the free flow of commerce between the various parts of the United States was completely inconsistent with our form of government.

Senator FERGUSON. All right. Now, is there any limitation on those two islands that they are not allowed to make any beverage alcohol, or, as we call it, neutral spirits?

Mr. BLAU. I don't know what the limitation is in terms of quantities, so far as the Virgin Islands is concerned, but the limitation in Puerto Rico is that they cannot make more than 7,300,000 proof gallons of beverage alcohol during the calendar year 1944.

Senator FERGUSON. All right, then; we will take a distiller in Puerto Rico, compared to one in Florida. In Florida he is not allowed to make a gallon.

Mr. SCHEUER. That is right.

Senator FERGUSON. But in Puerto Rico he is allowed to make 7,000,000 gallons for beverage purposes.

Mr. BLAU. That is quite correct, except that there are, I believe, in this country, a small number of distillers who manufacture rum, who are operating on substantially reduced quotas.

Senator FERGUSON. Well, can they make whisky in Puerto Rico?

Mr. BLAU. In Puerto Rico?

Senator FERGUSON. Yes; they can make neutral spirits, and from neutral spirits they can make other than rum, isn't that true?

Mr. BLAU. I am not an expert on the Puerto Rican law they cannot ship out of the islands anything but bottled spirits, and I doubt whether they would have the grain or the whisky to blend with their cane spirits to make a blended whisky down there.

You see, the competitive advantage that Cuba had over Puerto Rico was that Cuba sends us most of this stuff in casks, whereas in Puerto Rico they can only send it up in bottles.

Senator FERGUSON. Is that the law?

Mr. BLAU. That is the Puerto Rican law, passed by the Puerto Rican Legislature.

Mr. SOURWINE. Is it not a fact, sir, that this production limitation upon Puerto Rican distillers is considered by Puerto Rico as an extremely oppressive one and is protested very vociferously by Puerto Rico and by the Puerto Rican Delegate in the Congress?

Mr. BLAU. There has been a considerable amount of discussion of that. I don't know about the Puerto Rican Delegate. I know that various Puerto Rican interests have written to Government agencies and to committees of the House and Senate protesting some of this action.

Senator FERGUSON. Now, are we getting from Puerto Rico the raw material from which alcohol can be made, other than what they use under this quota?

Mr. SCHEUER. We have been purchasing all the molasses that has been made available to us.

Senator FERGUSON. Now you say "made available." Isn't it true that there is a considerable amount of molasses or cane that is destroyed there?

Mr. SCHEUER. Not that I know of.

Senator FERGUSON. Haven't you heard that?

Mr. SCHEUER. There are difficulties of transportation, and there was some delay in negotiating. The Defense Supplies Corporation negotiated the Puerto Rican arrangement. I believe Mr. Sabin is coming up here. He can give you the facts as to that, I am sure. We do not participate in Puerto Rican transactions since they are considered to be domestic.

Mr. SOURWINE. May I take a slightly new tack, Mr. Chairman?

The CHAIRMAN. All right.

Mr. SOURWINE. Mr. Scheuer, who has the final say on lend-lease quotas or allocations?

Mr. SCHEUER. Lend-lease allocations and arrangements are made by the Foreign Economic Administration.

Mr. SOURWINE. The War Production Board then simply makes available for lend-lease the amount which you claim.

Mr. SCHEUER. They make available whatever they feel—the War Food Administration or the War Production Board feels is justified under the circumstances and in the light of the over-all requirements.

Mr. SOURWINE. Then you do not finally fix the quotas, do you?

Mr. SCHEUER. No; we are claimants for lend-lease.

Mr. SOURWINE. You make your claims?

Mr. SCHEUER. Yes.

Mr. SOURWINE. Have they ever cut you down?

Mr. SCHEUER. I am not familiar with this particular quota. They do usually cut us down. There is usually a claim—

Mr. SOURWINE. The amounts which go to lend-lease are arrived at differently with different nations, are they not, sir?

Mr. SCHEUER. There are different considerations entering into it. It might be shipping; it might be that some other commodity is more easily accessible—

Mr. SOURWINE. What I am getting at, for instance, the amount that goes to Russia on lend-lease is fixed by protocol, is it not?

Mr. SCHEUER. Yes, sir.

Mr. SOURWINE. Is there any similar protocol governing the amount which goes to Great Britain?

Mr. SCHEUER. There is not.

Mr. SOURWINE. So that there is a different basis there for naming the Russian protocol, fixing the annual amount in gallons, short tons, or some other measure, whether they merely tell us to furnish a percentage of their production—

Mr. SCHEUER. I will be very glad to try to answer that off the record.

Mr. SOURWINE. Will you include in that answer, sir, the amounts, if amounts were fixed, which are set by protocol for the year 1943 and for the year 1944.

Mr. SCHEUER. Glad to.

Mr. BLAU. Off the record.

(Discussion off the record.)

Mr. BLAU. The information requested is confidential and will be supplied for the confidential use of the committee.

Mr. SOURWINE. All right. Let us know, also, if you will, whether the Russian protocol is on the basis of the calendar year or the fiscal year.

Mr. SCHEUER. Yes, sir.

The Russian protocol is on the basis of the fiscal year.

Mr. SOURWINE. Do you know, sir, whether England has idle alcohol facilities, that is, facilities for the production of alcohol which are not now being used?

Mr. SCHEUER. I am not informed. We can get you that information.

(The witness subsequently furnished the following statement.)

Whisky distilling facilities are not being used for the production of industrial alcohol but are being used for the storage of grain.¹

Mr. SOURWINE. I believe we would like to have it, sir.

And also whether any other of the nations of the British Commonwealth have idle alcohol facilities insofar as you are advised.

Mr. SCHEUER. Yes, sir. (The witness subsequently furnished the following statement.)

Some facilities in Australia are idle because the output is not necessary to meet Australian needs.

Mr. SOURWINE. We are sending, as I understand it, lend-lease alcohol to both Russia and Great Britain, is that correct?

Mr. SCHEUER. We have sent alcohol to Great Britain heretofore. I believe new arrangements have been made. The British are producing their own alcohol. Defense Supplies Corporation is selling them some Cuban invert molasses for cash.

Mr. SOURWINE. Is it not a fact that in the first quarter of this year we made substantial shipments of lend-lease alcohol to Great Britain?

Mr. SCHEUER. That is correct.

Mr. SOURWINE. And I believe it was testified here the other day that those shipments were considered as part of our commitment to Russia and were to replace alcohol which Great Britain had previously furnished to Russia, is that right?

Mr. SCHEUER. I am not acquainted with that. I cannot say as to that. I can get that information.

Mr. SOURWINE. Is it not true that last year we sent substantial quantities of alcohol both to Great Britain and Russia?

Mr. SCHEUER. Correct.

Mr. SOURWINE. So that if Russia in the last year received alcohol from Great Britain, it was in effect merely a transfer from Great Britain to Russia of alcohol that we had lend-leased to Great Britain?

Mr. SCHEUER. We are also selling molasses to Great Britain for distillation.

Mr. SOURWINE. But we sent Great Britain alcohol last year.

Mr. SCHEUER. Yes; that is right.

Mr. SOURWINE. And Great Britain presumably sent some alcohol to Russia, less than we sent Great Britain.

Mr. SCHEUER. Yes.

Mr. SOURWINE. We are this year shipping alcohol to Great Britain to replace the alcohol which she sent to Russia last year.

¹ In addition, it is estimated that 30 percent of the industrial alcohol facilities in the United Kingdom are idle because of lack of material and manpower and because of the fact that this distilling capacity is not needed to meet British needs.

Mr. SCHEUER. Well, I only can conjecture—that is a matter of action in the interest of the United Nations.

Mr. SOURWINE. Would you say, perhaps, that it is a matter of bookkeeping?

Mr. SCHEUER. No; I think it is based on considerations that enter into the over-all picture.

Mr. SOURWINE. I am just wondering how, if the alcohol Great Britain furnished to Russia was part of the alcohol which we have furnished to Great Britain, Great Britain now has a claim upon us to replace that alcohol.

Mr. SCHEUER. I don't know that that is a fact. It is possible, as I have already mentioned, that shipping considerations would enter into it. We might have asked the British to take a part of the protocol over at that time, by reason of shipping considerations.

Mr. SOURWINE. Mr. Scheuer, who determines the essentiality to war use of the alcohol or any other commodity which is lend-leased to a foreign nation?

Mr. SCHEUER. The essentiality for what purpose?

Mr. SOURWINE. For war use.

Mr. SCHEUER. Well, we have a clearance machinery which passes upon the requests that are made for lend-lease alcohol.

Mr. SOURWINE. Well, yes, but is any attempt made to review the claims from a foreign nation that a certain amount of alcohol, let us say, is necessary for war use, or do you take their word for it?

Mr. SCHEUER. Oh, it is very carefully screened in the Foreign Economic Administration and reviewed and altered from time to time. Many collateral considerations outside of the commodity itself influence that. Cuban sugar, for instance, is being bought this year by the British direct, and heretofore we supplied it on lend-lease.

Mr. SOURWINE. Do you ever cut them down on their requests?

Mr. SCHEUER. I should say so. We are not very popular sometimes.

Mr. SOURWINE. So that they must then, on occasion, ask for more than you think they actually need?

Mr. SCHEUER. Well, the test may be quantity, or the item itself, as to its lend-lease ability, or considerations the Treasury may have in mind, or other agencies of government.

Mr. SOURWINE. Let us talk about alcohol, because there is no question of its lend-lease ability.

Senator FERGUSON. Do you ever give any lend-lease alcohol for beverage purposes?

Mr. SCHEUER. No.

Senator FERGUSON. Have you ever been requested?

Mr. SCHEUER. No.

Senator FERGUSON. Do you know whether any of it has ever been diverted to beverage purposes?

Mr. SCHEUER. I would be willing to say certainly not.

Senator FERGUSON. All right, but we do ship it in a state that it could be used for that purpose?

Mr. SCHEUER. Oh, yes; it could be used.

Mr. SOURWINE. Mr. Scheuer, do we have at the present time a contract with Canada for the delivery to us of industrial alcohol?

Mr. SCHEUER. Defense Supplies has.

Mr. SOURWINE. Defense Supplies has?

Mr. SCHEUER. Yes; and you can get all the facts on that.

Mr. SOURWINE. All right, sir. And the same would be true in regard to the contract we had last year?

Mr. SCHEUER. That is so; they do it as our agents.

Mr. SOURWINE. If they do it as your agents, are you familiar with the terms of those contracts?

Mr. SCHEUER. Yes; I am not personally, but I can get them.

Mr. SOURWINE. You prefer that we get that from Mr. Sabin who will be here this morning?

Mr. SCHEUER. Yes.

Mr. SOURWINE. All right, sir. Do you know whether Cuba has delivered any alcohol to us this year?

Mr. SCHEUER. Not yet.

Mr. SOURWINE. Either under the old contract or under the present contract?

Mr. SCHEUER. The current contract is the only contract.

Senator FERGUSON. You are talking about the calendar year.

The CHAIRMAN. The answer is "No." I am looking back—

Senator FERGUSON. The witness understands we are using the words "calendar year"?

Mr. SCHEUER. The calendar year; yes.

Mr. SOURWINE. Do you know anything about Cuba's alcohol production capacity, Mr. Scheuer?

Mr. SCHEUER. Well, we are not able to get any exact figures on that. Those that were given to us vary so much on different authorities that I would not credit them with being dependable.

The CHAIRMAN. What can you give us as being reasonably dependable?

Mr. SCHEUER. I think it can be said in our judgment that the production capacity would be about 75,000,000 gallons, 190 proof.

The CHAIRMAN. Of which we are taking 14, when the 14 come in.

Mr. SCHEUER. I think we are taking twelve five under the contract with an option to another eight which would be twenty million five. Under our arrangements they have the right to use 85,000,000 gallons of molasses for their carburente, which is also 190 proof alcohol, or close to it.

The CHAIRMAN. What does that word mean?

Mr. SCHEUER. It is fuel for industrial purposes, a substitute for gasoline; they run their automobiles, probably 90 percent, on this fuel.

Mr. SOURWINE. While we are on that subject, do you have any knowledge of the amount of alcohol consumed as motor fuel by Cuba in the calendar year 1943?

Mr. SCHEUER. No; but I might say that they originally—their price-control people originally calculated that they would require 100,000,000 of this carburente for domestic fuel.

Mr. SOURWINE. Is that fuel or alcohol?

Mr. SCHEUER. I am talking about the blackstrap, necessary to convert into alcohol, and we finally brought it down to 85 maximum.

Mr. SOURWINE. That is 85,000,000 gallons of blackstrap, not alcohol.

Mr. SCHEUER. That is right.

The CHAIRMAN. How much fuel does that make?

Mr. SCHEUER. It is 85 divided by 2.7.

Mr. SOURWINE. That would be something in excess of 25,000,000 gallons.

Mr. SCHEUER. That is right.

Mr. SOURWINE. But you have no knowledge of the amount used last year?

Mr. SCHEUER. Well, after very, very careful study, they came back to us and said that would be their requirements.

Mr. SOURWINE. Is it your thought that the amount carried as requirements for carburente this year is based upon the actual amount they used for motor fuel last year?

Mr. SCHEUER. I would say it was a generous figure for the reason in the first place that they expected a larger sugar crop. After all, their whole economy is dependent upon this fuel, their industrial economy really is dependent upon it. It is necessary for securing the sugar crop.

Mr. SOURWINE. I have a figure here which was furnished by the Petroleum Administrator for War. I believe it might be well to read it into the record.

The CHAIRMAN. Read it into the record.

Mr. SOURWINE. It concerns consumption of alcohol as motor fuel by Cuba during 1943. This is listed by months, and the total is 181,030 barrels, or 7,603,260 gallons. That is a far cry—

The CHAIRMAN (interposing). That is gallons of what?

Mr. SOURWINE. Gallons of alcohol which was consumed as motor fuel for carburente.

The CHAIRMAN. In 1943?

Mr. SOURWINE. Yes, sir. That is a far cry from 25,000,000 gallons.

Mr. SCHEUER. You realize we get anything they don't use under the contract in the form of blackstrap molasses, so that if they don't actually use that it will be to their interest.

Mr. SOURWINE. It would be if they still got it. In other words, we might get substantially more than merely 65,000,000 gallons?

Mr. SCHEUER. I would think so. We are to be advised, according to the terms of the contract—most of these things do not work out exactly—on May 1 as to how much they expected to have in alcohol.

Mr. SOURWINE. They have not advised you yet?

Mr. SCHEUER. June 1, I beg your pardon.

Mr. SOURWINE. Do you think we will get that alcohol this year, Mr. Scheuer?

Mr. SCHEUER. This crop year I think we will get twelve million five, this crop year.

Mr. SOURWINE. How about this calendar year?

Mr. SCHEUER. I think we will; yes.

Mr. SOURWINE. Do you think we will get more than twelve million five?

Mr. SCHEUER. I think there is a good chance.

Mr. SOURWINE. How much more?

Mr. SCHEUER. Well, I think there is every likelihood that we will get 20,000,000.

Mr. SOURWINE. This year?

Mr. SCHEUER. Yes.

Mr. SOURWINE. This calendar year?

Mr. SCHEUER. Yes.

Mr. SOURWINE. You would consider it a very serious underestimate then, if some contend that the maximum we would receive from Cuba during this calendar year was not more than 9,000,000 gallons?

Mr. SCHEUER. I would, with such information as I have now.

Mr. SOURWINE. You are in a very good spot to have information upon that, sir.

Mr. SCHEUER. Well, the Cuban alcohol industry is now being reorganized into a consolidated whole.

Mr. SOURWINE. If you will tell us who has better information on this subject than you have, we will get him down here.

Mr. SCHEUER. I don't think that is the issue. As to information, I don't think there is any positive information on this.

Senator FERGUSON. But you feel reasonably certain?

Mr. SCHEUER. Yes.

Mr. SOURWINE. It is a matter of judgment. We think you are a qualified witness.

Mr. SCHEUER. I would stand by that judgment.

Senator FERGUSON. Does Cuba export to any other country any alcohol?

Mr. SCHEUER. Any beverage?

Senator FERGUSON. Any alcohol.

Mr. SCHEUER. Not industrial, to the best of my knowledge.

Senator FERGUSON. Any beverage?

Mr. SCHEUER. Any beverage? I think they have some small markets. It is very insignificant.

Senator FERGUSON. Doesn't she send any to England?

Mr. SCHEUER. Yes, they did. I would say that they recently sold a small amount to the British.

Senator FERGUSON. Do they send any to Canada?

Mr. SCHEUER. No industrial alcohol. I doubt if they sent any beverage alcohol. They did in the past, I think, very little.

Mr. SOURWINE. Mr. Scheuer, there is no question in your mind, is there, that because of the amount of blackstrap that Cuba is committed to furnish, she will have productive capacity that she will be unable to use?

Mr. SCHEUER. Yes, I think that is a fact.

Mr. SOURWINE. Then, on the basis of a production capacity of 75,000,000, which you have named as a safe figure—

Mr. SCHEUER. That is right.

Mr. SOURWINE. That would take just about her normal full crop.

Mr. SCHEUER. Yes.

Mr. SOURWINE. And that is taking 65,000,000 gallons minimum, and probably substantially more, of molasses, and Cuba will have unused capacity then.

Mr. SCHEUER. Yes, I think so.

Mr. SOURWINE. So that even with the present prospects for sharply increased crop in Cuba over the estimates, she will have capacity to process all of that increase?

Mr. SCHEUER. It would seem so; yes.

You realize that the quantity that we purchased and that we talked about down there was figured around the amount that could be moved considering the physical problems of storage. Most of their distilleries were built with inadequate storage facilities and then there is the question of tankage. They had 1,200 tank cars down there, as I recall it, to move that molasses and all this carburente and get it in and out of port. We were not in a position to increase those facilities or build those cars at this time.

Mr. SOURWINE. As a matter of fact, you have a good deal of molasses owned by the Defense Supplies Corporation in storage in Cuba at the present time, have you not?

Mr. SCHEUER. I believe so.

Mr. SOURWINE. Waiting to be moved up here, something over 200,000—

Mr. SCHEUER. Well, you better ask the exact figures—

Mr. SOURWINE. We will ask Mr. Sabin about that.

Can you tell us, sir, what the alcohol that is lend-leased to Russia is used for?

Mr. SCHEUER. What the alcohol is used for?

Mr. SOURWINE. Yes, sir.

Mr. SCHEUER. I have no accurate knowledge on that. I could make a statement that it was not to be used for beverage purposes.

Mr. SOURWINE. Yes; I understand that; but do you have any knowledge whether they use it for rubber, or whether they use it for munitions, or whether they use it for explosives?

Mr. SCHEUER. I would think that all of those would be included in their requirements. I think you are probably familiar that the Russians do not reveal their entire detail—

Senator FERGUSON. In other words, when they ask us for lend-lease, they do not tell us what they are going to use it for.

Mr. SCHEUER. Not in the detail that Britain does.

Mr. SOURWINE. I understood you to say earlier, Mr. Scheuer, that these Russian requirements, like all others, were closely scrutinized, and you even cut them back if you determined that they were asking for more than they needed.

Mr. SCHEUER. That is on the basis of protocol, once the protocol is settled, that becomes an international commitment.

Mr. SOURWINE. In setting up the protocol, whatever the negotiation, if that is the right word to use for protocol, there must have been some conversation about what it was to be used for.

Mr. SCHEUER. Yes; I would be glad to have the person who handles that, General Wesson, or one of the members of the staff, up here and give you such information as you may want on that particular point.

Mr. SOURWINE. Well, we have had some information on that subject placed in the record, sir, but there was a little argument about it when Dr. Whitman was up here the other day. That is why I was asking you about it again today.

It was Dr. Whitman's impression, to be quite frank with you, that the Russian use for this alcohol was to make rubber. We had a letter from Mr. Oscar Cox stating that the alcohol furnished to the Soviet Union is to be used in the manufacture of explosives and other munitions, and I thought perhaps we could resolve that apparent conflict by some knowledge that you had.

Mr. SCHEUER. Well, I would rather depend on Oscar Cox's statement. I take it that he checked it and found that to be a fact. But, we can get you a further check on it.

Senator FERGUSON. Do you know whether Russia uses any of her own facilities to manufacture alcohol for beverage purposes?

Mr. SCHEUER. I suspect she does; yes.

Senator FERGUSON. Do you know whether Great Britain uses any of her own facilities to manufacture alcohol for beverage purposes?

Mr. SCHEUER. I think she does, yes.

Senator FERGUSON. And the same is true of Canada?

Mr. SCHEUER. Canada; I know they do.

Mr. BLAU. The Canadians had a short liquor holiday last year.

Senator FERGUSON. What about England?

Mr. BLAU. The United Kingdom is not producing any whiskey. It is, however, producing gin under regulations which limit the annual production to the amount produced in the 12 months ending August 31, 1939.

Senator FERGUSON. So that that is an exact question—we do not use our facilities for manufacturing for beverage purposes.

Mr. BLAU. Canada does not normally, but there was a short period—I think it was 3 weeks—when they did last year.

Senator FERGUSON. Would not 3 weeks take care of the situation here in America?

Mr. BLAU. I am not an expert on that, sir.

Mr. SOURWINE. Mr. Chairman, I am not going to read it, because it is a little lengthy, but for the record I offer a statement furnished by the Secretary of State, including several reports from diplomatic sources concerning the productive capacity of Cuba for alcohol.

The CHAIRMAN. Very well.

Mr. SOURWINE. And the Secretary's letter accompanying the statement.

(The letter and accompanying statement are as follows:)

DEPARTMENT OF STATE,
Washington, March 16, 1944.

Mr. J. G. SOURWINE,
Counsel, Committee on the Judiciary,
United States Senate.

MY DEAR Mr. SOURWINE: In further reference to your letter of March 2, 1944, and to the Department's reply, I take pleasure in transmitting herewith a memorandum relative to the development of the Cuban distilling industry in 1942 and 1943.

Reports and extracts of reports from the United States Embassy at Habana form the basis of the memorandum which has been prepared, for the convenience of the committee, with a view to the elimination of extraneous and unnecessary material.

Complete and final Cuban Government statistics concerning the 1942 and 1943 trade between the United States and Cuba in products of the Cuban distilling industry, unfortunately, are not yet available in this Department. It occurs to me that the Committee may find the statistics of the Department of the Treasury of assistance in this connection.

The Foreign Economic Administration is completing arrangements for the purchase of Cuba's 1944 exportable surplus of blackstrap molasses and industrial alcohol. Arrangements are likewise being made to control the movement of Cuban alcoholic leverages to the United States.

The Bureau of the Budget has indicated that there is no objection to the submission of this letter to the committee.

Sincerely yours,

MEMORANDUM

CORDELL HULL.

1. Report from American Embassy of October 9, 1943.

According to the findings of representatives of United States governmental agencies in which the Embassy concurs, it appears unlikely that Cuba will have an exportable alcohol surplus as domestic production, in view of the increased demand for alcohol for motor fuel, will probably be sufficient only for local consumption requirements. This opinion is shared by the Cuban Price Control Office which issued a press statement on October 7 to the effect that studies made

by its technical experts reveal that Cuba will not be able to export alcohol for the time being.

In spite of the foregoing, representatives of local distilleries insist that they could export substantial quantities of industrial alcohol provided they were furnished with the fuel oil, sulphuric acid, and ammonium sulphate required to enable the distilleries to reach their estimated maximum production capacity of 30,000,000 gallons per annum. In view of their insistence, it was suggested that they submit the matter to the appropriate agencies of the Cuban Government (including the O. R. P. A.; the price control office) and if, as a result of the ensuing deliberations it were found that an exportable alcohol surplus were available, the Cuban Government notify the American Embassy to that effect. It was further suggested that in such an official notification the Cuban Government should set forth the quantity of alcohol available for exportation; the price at which it was offered for sale; the possible date of shipment; the port or ports from which shipment would be made; and the additional quantities of fuel oil, etc., which would be required in order to increase Cuban alcohol production to the extent necessary to make the proposed exportations possible.

The distillers were informed that such an official offer, if received, would be given careful consideration but that even if all other conditions were satisfactory there was, of course, no assurance that the required additional quantities of fuel oil and chemicals could be allocated to Cuba.

2. Report from American Embassy of May 21, 1943.

I have the honor to report that, according to an open letter recently published in the local press, the National Association of Alcohol Distillers (Asociación Nacional de Destiladores de Alcohol) estimates that Cuban alcohol production will reach 8,000,000 liters during May 1943 (not including cane brandy for beverage purposes), as against only 1,350,000 liters per month during the early part of 1942.

The purpose of the association's letter is to congratulate Ingeniero Carlos Hevia, Director of the O. R. P. A., for his successful efforts to increase alcohol production in Cuba. It is interesting to note that of the estimated production for May 1943, approximately 5,400,000 liters (about 1,250,000 gallons) will, according to the association, be used during that month in the manufacture of motor fuel (carburante), for local Cuban use.

It will be recalled in connection with the foregoing that whereas, according to estimates furnished by the Association at the time, Cuba's alcohol production capacity under optimum conditions was placed at approximately 11,000,000 liters per month, representatives of United States agencies estimated that the maximum monthly production would probably not exceed about 8,700,000 liters.

3. Report from American Embassy of August 13, 1943.

The situation has improved materially since the visit to Cuba last year of representatives of the United States Government agencies to investigate the possibilities of purchasing Cuban industrial alcohol for our Government. Local alcohol production has since increased steadily and it is estimated that by September of this year Cuban distilleries will be producing at an annual rate of roughly 35,000,000 gallons, at which rate, according to Ingeniero Carlos Hevia, the head of the O. R. P. A., Cuba's annual exportable alcohol surplus would amount to 10,000,000 gallons.

4. Memorandum prepared in American Embassy on October 28, 1943.

Present Cuban alcohol and molasses situation.—According to the Cuban Sugar Stabilization Institute, blackstrap-molasses production during the 1943 crop amounted to 140,792,000 gallons, or an average of 49.6 gallons of blackstrap per one long Spanish ton of sugar produced during the 1943 sugar crop. This is slightly higher than the average during the 5-year period 1938-42, which amounted to 48.445 gallons per 1 long Spanish ton of sugar produced.

On the basis of the above average yields, production during 1944 will total from 180,000,000 to 184,000,000 gallons of blackstrap. (Some estimates run as high as 190,000,000 gallons.)

Out of 1943 production, 18,000,000 gallons, borrowed during 1942 for "carburante," were returned to Defense Supplies Corporation while a quota of 75,000,000 gallons was set up for local distillers. The distillers were recently granted an additional quota of 35,000,000 gallons for the last quarter of 1943. Although the decree granting this quota has not as yet been promulgated in the Official Gazette, distillers are reportedly now drawing against this additional quota. According to

present indications the amount of 1943 blackstrap remaining on hand on January 1, 1944, will therefore not exceed from 10,000,000 to 12,000,000 gallons.

On the basis of the above calculations the amount of blackstrap available for 1944 will amount to from 190,000,000 to 196,000,000 gallons.

Cuban alcohol distilleries are now producing monthly from 10,000,000 to 12,000,000 liters of alcohol and aguardiente for which they are using approximately 8,000,000 to 9,000,000 gallons of blackstrap.

Alcohol production is increasing rapidly, however. While in September 1942 total production capacity was estimated at only 27,000,000 gallons per annum, present capacity is reportedly 44,000,000 gallons of alcohol per annum.

The Habana newspaper El Mundo, in an article published in this morning's edition, estimates that alcohol-production capacity will have been expanded to 88,000,000 gallons per annum by next year.

The distilleries which Cia. Atlantico del Golfo is constructing will produce, it is claimed, about 10,000,000 gallons of industrial alcohol. Ten distilleries which are now under construction and which expect soon to be in production will add another 20,000,000 gallons annually to Cuba's distilling capacity. Total production capacity therefore of distilleries now in operation or under construction amounts to 74,000,000 gallons per annum.

If alcohol production during 1944 reaches the 88,000,000 gallons, estimated by El Mundo, Cuban distillers, on the basis of 2.7 gallons of blackstrap per gallon of alcohol produced, will require about 237,500,000 gallons of blackstrap, or more than the entire amount thereof which will be available in 1944.

Present capacity plus capacity actually under construction and which will expectedly be in production shortly will require about 200,000,000 gallons of blackstrap per annum. Therefore, even though some of the distilleries mentioned in the El Mundo article are still in the project stage, present indications are that Cuba can consume locally her entire 1944 blackstrap production plus any carry-over at the end of 1943.

Under present conditions there appears to be no limit to the amount of gin and rum which Cuba can export to the United States. During the first 10 months of 1943 exports of rum and gin totaled approximately 7,500,000 gallons, about two-thirds of which consisted of gin. The peak of this movement was reached in July and August, when 1,350,000 and 1,600,000 gallons, respectively, were exported. There was a lag in gin shipments during September and October possibly in anticipation of an increase in our gin ceiling price.

On the basis of almost 50-percent alcohol content per gallon of liquor, the above figures indicate that about 3,750,000 gallons of alcohol were exported in the form of spirituous liquors during the first 10 months of 1943.

Mr. SOURWINE. Mr. Scheuer, we had—

The CHAIRMAN. Before you go into that, are you going into another topic now?

Mr. SOURWINE. Yes, Senator.

The CHAIRMAN. I should like to ask one or two questions of Mr. Scheuer.

As alcohol was produced in the United States, or there was an increased production in the United States, you would not draw on the Cuban alcohol so much, would you, the way you would to take a certain quota?

Mr. SCHEUER. We are bound to take the contract quantity, but we would still have a deficit, as I understand it, even if we got our full quantity. You are talking about industrial alcohol?

The CHAIRMAN. Yes; I am talking about industrial alcohol.

Mr. SCHEUER. That is correct.

The CHAIRMAN. They are not supposed to ship any in here for beverage purposes at all, is that right? That is the way I understand it, at least.

Mr. SCHEUER. Within the quota, Senator.

The CHAIRMAN. Within the quota; yes; that is 14.3.

Mr. SCHEUER. Quite correct.

The CHAIRMAN. Now, as plants are released here that have been shut down and distilleries would be released and permitted to go forward, there would be a greater quantity of alcohol subject to the war needs here locally, so that you would not be looking for alcohol from foreign countries. I take it.

Mr. SCHEUER. If that situation eases our directive for next year would be cut.

The CHAIRMAN. Have you heard within the last few days one distillery was released that had been closed?

Mr. SCHEUER. I read such a notice in the paper.

The CHAIRMAN. Do you know that there is now in contemplation, since the hearings of this committee, the release of other distilleries that have been closed down?

Mr. SCHEUER. I have no knowledge. You see, we only deal with the foreign, not the domestic situation.

The CHAIRMAN. I thought perhaps there was sufficient contact between you and the War Production Board that they would advise you, because the War Production Board would release these plants to manufacture alcohol, as I understand it.

Mr. SCHEUER. That is correct.

Mr. SOURWINE. During earlier testimony before this committee we had two sets of figures on lend-lease shipments during the first quarter of this year. We had one figure of 39,782 short tons, which would be approximately 11,500,000 gallons; we had another figure of 5,197,711 gallons.

The first figure was furnished to us by Mr. Cox and the second figure was furnished to us by the Procurement Division Unit. In view of that conflict, sir, will you do the committee the courtesy of rechecking the figure of shipments and let us have a figure that you can certify as 100 percent accurate.

Mr. SCHEUER. I will be glad to do it.

(The information requested is as follows:)

These figures have been checked and are correct. They were tabulated from ocean bills of lading made available to Foreign Economic Administration.

Mr. SOURWINE. It was stated the other day that the procurement figure was probably right and you were probably wrong. I want you to have an opportunity to check this.

Mr. SCHEUER. The procurement figure was the Treasury Procurement, I take it.

Mr. SOURWINE. Yes, sir; and to give you the detail on that—

Mr. SCHEUER. I hope both of us are not wrong.

Mr. SOURWINE. Well, if you are both wrong, we want the right figure.

Mr. SCHEUER. That is right.

Mr. SOURWINE. They gave the amount shipped as 5,197,711 gallons. They added to that an additional amount of 3,323,534 gallons, which they said was shipped during this calendar year and under a prior contract, but even adding that to the amount shipped under this year's contract, there is still a sharp discrepancy between your figure and their figure.

Mr. SCHEUER. That is right.

Mr. SOURWINE. Mr. Scheuer, this chart was inserted in our record and it was furnished to us by Mr. Cox. It was prepared by the For-

eign Economic Administration, according to its purport, and it states that the figures upon which it has been based were secured from the War Production Board. Do you know now the date on which those figures were secured?

Mr. SCHEUER. I have never seen this, I have no knowledge about it. Mr. SOURWINE. Will you attempt please, to find out the date on which they were secured, the figures which are represented by these charts?

Mr. BLAU. If it will help your present purpose, Mr. Sourwine, this was prepared early in January of this year on the basis of W. P. B. estimates.

Mr. SOURWINE. Did they aid you in the preparation of that? Mr. BLAU. No; they did not, on the basis of their published estimates, confidential published estimates of sometime in December—

Mr. SOURWINE. What is a confidential published estimate? Mr. BLAU. I mean it is made available to people who are entitled to see it.

Mr. SOURWINE. I see—
Mr. BLAU. Sort of a—
Mr. SOURWINE. Publication in a legal sense.
Mr. BLAU. Yes; late in December, as revised by a memorandum of Dr. Whitman, also of late in December.

Mr. SOURWINE. We would like to have that memorandum also, if we may. Dr. Whitman was unable to identify these figures and said that he had never heard of the chart until we showed it to him. The same is true of Mr. Nelson. There was some question whether the chart represented accurately a situation which had ever existed. For instance, the chart contains two items there, I believe one of them is lend-lease and the other is direct military requirements, each represented as 8 percent of the total, and we were unable to find, in 20 different estimates the W. P. B. had made, any date on which their estimates had requirements in those 20 categories that were even approximately identical.

Mr. BLAU. They were not based directly on any of those estimates. They were corrected in the light of a memorandum of Dr. Whitman, which our statistician had at the time.

Mr. SOURWINE. Well, if you can, give us that memorandum, because the W. P. B. was inclined to disown these figures, and if they are correct and are based upon W. P. B.'s figures, we would like to have them.

(The following information was supplied the committee:)

The War Production Board memorandum referred to was dated January 3, 1944, numbered Document 271, and was entitled "Progress of the Industrial Alcohol Program." The figures contained were corrected by deducting therefrom a reduction in the British requests for industrial alcohol which was known to the Foreign Economic Administration but was not reflected in War Production Board requirements. The document in question was supplied the Foreign Economic Administration confidentially.

Mr. SOURWINE. I am nearing the end of my questioning of you, Mr. Scheuer. I am sorry we are running past the 11 o'clock hour at which we asked Mr. Sabin to be here.

I would like to ask you this; Do you know whether we are committed to furnishing Russia any percentage or proportion of our alcohol production or of our alcohol supplies?

Mr. SCHEUER. Well, whatever the protocol in quantity provides, that is what we are committed to.

Mr. SOURWINE. If there is a percentage it is a percentage which comes out as a result of mathematical calculation; it is not a percentage which is applied to reach a total in pounds or gallons or tons?

Mr. SCHEUER. It is not.

Mr. SOURWINE. Can you tell us, Mr. Scheuer, now much molasses the Defense Supplies has purchased or owns as your agent in Puerto Rico, Haiti, Santo Domingo, and Cuba, or would you prefer that I ask Mr. Sabin that?

Mr. SCHEUER. I think you can get that from Mr. Sabin. They are not our agents in Puerto Rico, you know, since it is part of the United States.

Mr. SOURWINE. All right, sir.

Mr. Chairman, I have no further questions to ask of Mr. Scheuer. The CHAIRMAN. Thank you, Mr. Scheuer.

Mr. Sabin, will you kindly come forward.

STATEMENT OF SAMUEL H. SABIN, VICE PRESIDENT, DEFENSE SUPPLIES CORPORATION

The CHAIRMAN. Mr. Sabin, will you kindly state your name and your official position for the record.

Mr. SABIN. Samuel H. Sabin, Vice President, Defense Supplies Corporation.

Mr. SOURWINE. Mr. Sabin, for the convenience of the reporter, will you identify the gentlemen who are with you?

Mr. SABIN. Yes, sir; this is Mr. A. P. Fenderson, and this is Mr. Robert Carr, of the Defense Supplies Corporation.

Mr. SOURWINE. So as to preserve a measure of continuity here—we will be jumping around enough later on—can you answer the question I was just asking of Mr. Scheuer, as to the amount of alcohol purchased and not shipped? That is purchased by the Defense Supplies Corporation and unshipped in Puerto Rico, Haiti, Santo Domingo, and Cuba.

Mr. SABIN. Do you mean the quantity of molasses?

Mr. SOURWINE. Yes, sir.

Mr. SABIN. I have some figures here, but Puerto Rico will not be given as you have asked the question, Mr. Sourwine.

Mr. SOURWINE. Will you let us have them, will you attempt to answer the question.

Mr. SABIN. We purchased a total of approximately 72,000,000 gallons of 1942-43 molasses from those four countries, and a total of about 425,000,000 gallons of 1944 molasses from those four countries.

Mr. SOURWINE. All purchases?

Mr. SABIN. Yes, sir; those purchases starting in October 1943, and continued at various times up to the present.

Mr. SOURWINE. Do you know how much of it has been shipped, sir?

Mr. SABIN. We have shipped out of those totals about 225,000,000 gallons.

Mr. SOURWINE. So that you have something less than 300,000,000 gallons to be shipped?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. That is a very rough computation.

Mr. SABIN. Yes, sir.

Mr. SOURWINE. I am not good at mental mathematics.

Mr. SABIN. That is about right.

We are shipping as rapidly as tankers become available.

Mr. SOURWINE. Are you familiar, sir, with the contracts this country has had with Canada for furnishing us industrial alcohol?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. Can you tell us very briefly and without technicalities, what the contract provided for the year 1943?

Mr. SABIN. The contract provided for Canada to sell to the Defense Supplies Corporation all alcohol available in Canada not exceeding approximately 9,000,000 gallons during the year. Such alcohol to be shipped as it became available to the Corporation—I might correct that, the contract covered the period of 13 months.

Mr. SOURWINE. What was the 13-month period?

Mr. SABIN. That was starting in December 1942 and ran up to and through December 1943.

Mr. SOURWINE. Was that 9,000,000-gallon limitation a limitation on the amount we would buy, or was it a limitation upon the amount that they were committed to furnish?

Mr. SABIN. That is a rather flexible contract in that it is understood that we would buy all that was produced and shipped and that they would sell all that they had available unshipped.

Mr. SOURWINE. What do you mean by "available"?

Mr. SABIN. That was never defined in our contract.

Mr. SOURWINE. Was there anything tying that in with the amount they had produced the year before.

Mr. SABIN. No; nothing in our negotiations. The contract took into consideration what they had produced in previous years.

Mr. SOURWINE. There was no discussion and certainly no commitment concerning a normal year's production?

Mr. SABIN. No, sir; the contract primarily provided a basis for determining the price and mechanics of operation rather than for a firm quantity.

Mr. SOURWINE. Well, how was the 9,000,000-gallon figure mentioned?

Mr. SABIN. The contract provided in its terms that they would sell and ship not less than 6,000,000 and not over 9,000,000, those figures being the Canadian estimate as to the range of production which they would have available.

Mr. SOURWINE. That was the limitation of their firm commitments then, not less than six or more than nine.

Mr. SABIN. Yes.

Mr. SOURWINE. How much did they ship actually?

Mr. SABIN. They shipped approximately 8,700,000 gallons.

Mr. SOURWINE. Now, it was our understanding, you were the negotiator on this agreement on behalf of the United States Government, and Canada would furnish to us up to 9,000,000 gallons of alcohol which she produced and did not need for her own war industries.

Mr. SABIN. There was very little discussion on that point during our negotiation.

Mr. SOURWINE. I say, it was our understanding.

Mr. SABIN. Well, I would not say it was the Defense Supplies Corporation. Perhaps W. P. B. had that understanding because they had initiated the first discussion with the Canadians on the basis that Canada had more alcohol than needed for its own needs.

Mr. SOURWINE. Did it surprise you at all when Canada stopped shipping to us and started producing for domestic beverage use before she had finished shipping to us 9,000,000 gallons?

Mr. SABIN. No; not particularly.

Mr. SOURWINE. Do you think it surprised the W. P. B.?

Mr. SABIN. I don't know.

Mr. SOURWINE. Did you think it was contemplated by both parties when that agreement was entered into?

Mr. SABIN. I think that was one point upon which you may say there was no particular agreement of minds as to whether Canada would or would not produce any beverage. It was the general intention, I assume, that there would be no beverage production.

Mr. SOURWINE. Maybe, sir, the same kind of general intention or purpose that is involved in our Cuban agreement which you may have heard discussed here.

Mr. SABIN. Well, I am familiar with that.

Mr. SOURWINE. Mr. Scheuer told us in his opinion there was at least a moral commitment on the part of this country not to release any alcohol for beverage purposes without at least advising Cuba. He caviled at the word "consult" with Cuba. Do you think there was this same moral obligation on the part of Canada not to release it for beverage purposes without advising us?

Mr. SABIN. Well, that is possible.

Mr. SOURWINE. Did they so advise us, sir?

Mr. SABIN. They did not advise the Defense Supplies Corporation.

Mr. SOURWINE. Isn't it true that they did not advise anybody until the State Department, at the request of this committee, specifically asked for the information?

Mr. SABIN. That is my understanding by hearsay; I have no direct knowledge.

Mr. SOURWINE. You read about it in the newspapers. You knew it was going on?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. Because you could not keep that kind of a thing secret forever. I do not want to put you in a position of directly attributing bad faith to the Canadian Government, so I won't ask you any more questions on that point.

Jumping to another point, Mr. Sabin, are high wines included in the alcohol stock-pile figures which you quoted?

Mr. SABIN. No, sir.

Mr. SOURWINE. Before we go further with that line, will you let me have the latest figures of stock pile which are available to you?

Mr. SABIN. Our latest compilation is as of April 30, 1944, which shows a total quantity in what we call the stock pile of 86,130,000 gallons. That is composed of stocks in the Defense Supplies Corporation, Rubber Reserve Company, and the Army and Navy plants.

Mr. SOURWINE. That does not include stocks at lend-lease terminals?

Mr. SABIN. Well, actually there are no lend-lease terminal stocks with the exception of a small quantity of drummed alcohol which

they have had on hand for some time which they now propose, that Treasury Procurement is proposing should be resold to Defense Supplies Corporation.

Mr. SOURWINE. If there were any lend-lease stock, you would include that in your figure?

Mr. SABIN. Well, as a matter of fact we retain title to the alcohol until it is delivered to the Treasury Procurement at shipside.

Mr. SOURWINE. At the lend-lease terminal they own it actually.

Mr. SABIN. Well, momentarily, as it goes into the vessel.

Mr. SOURWINE. I am trying to determine whether there is any amount which is stocked at lend-lease terminals that may properly be placed in your over-all account.

Mr. SABIN. We do not carry it that way. We did at one time.

Mr. SOURWINE. It is improper to speak of it that way now?

Mr. SABIN. Yes.

Mr. SOURWINE. Now that total figure you have given us includes, does it not, 41,166,000 gallons owned by the Defense Supplies Corporation?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. And 36,515,000 by Rubber Reserve and 8,521,000 gallons by the Army and Navy.

Mr. SABIN. Yes, sir.

Mr. SOURWINE. It does not include approximately 700,000 gallons which is owned by Procurement in drums which it is proposed you should buy?

Mr. SABIN. We were advised yesterday that the quantity to be resold to the Defense Supplies Corporation was reduced to about 450,000 gallons.

Mr. SOURWINE. About 450,000; it was originally 700,000?

Mr. SABIN. Yes.

Mr. SOURWINE. What did they do—lend-lease it?

Mr. SABIN. I understood so.

Mr. SOURWINE. If it was lend-leased alcohol, that alcohol at lend-lease terminals was not included in your stock-pile figure.

Mr. SABIN. No; that was drummed the early part of 1943 for shipment in dry cargo vessels and there were various reasons—

Mr. SOURWINE. Would that be as much as 1,200,000 gallons if you bought it?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. Are any other Government agencies presently attempting to sell back to you any alcohol?

Mr. SABIN. We have been informally advised by Chemical Warfare Service that they have something in excess of 1,000,000 gallons which they are prepared to resell to us.

Mr. SOURWINE. Would that be as much as 1,200,000 gallons?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. That is alcohol which is not now included in your stock-pile figure?

Mr. SABIN. Yes; it is.

Mr. SOURWINE. It is included in your stock-pile figure under this 8,451,000 Army and Navy?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. So that if it is to be resold to you it could go in a different subcategory, but it won't change the total stock-pile figure?

Mr. SABIN. That is right.

Mr. SOURWINE. Is it your understanding that is declared surplus by the Chemical Warfare?

Mr. SABIN. The technicality of surplus procedure has not been entirely formulated. What is proposed in this particular instance is the repurchase by us, whereas, under the normal purchasing method for sale of surplus it would be sold for account of the C. W. S.

Mr. SOURWINE. Did you use the term "surplus"?

Mr. SABIN. I don't care to be that definite.

Mr. SOURWINE. Actually they do not need it and they have no immediate prospective need for it.

Mr. SABIN. That is right.

Mr. SOURWINE. Are you aware, sir, that the testimony before this committee last week was to the effect that there was a prospective very large need for alcohol in the Chemical Warfare Service in certain contingencies?

Mr. SABIN. I read that in the paper, sir; I have no knowledge of it.

Mr. SOURWINE. Would you be inclined to say that the more than willingness, or request, of Chemical Warfare to sell back to you 1,200,000 gallons goes a long way toward negating the suggestion that they have urgent need for alcohol?

Mr. SABIN. Well, it is possible that this particular stock is located at a point where it would not be used in any new development. I am not at all familiar with their plans.

Mr. SOURWINE. They can ship it, can't they?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. The chances are that any alcohol they got would not be produced at the point where they wanted to use it?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. Who sets the limit of stock-piling, Mr. Sabin?

Mr. SABIN. The W. P. B.

Mr. SOURWINE. You don't?

Mr. SABIN. We don't.

Mr. SOURWINE. What are the instructions from the War Production Board in regard to stock-piling?

Mr. SABIN. The stock-piling program for alcohol was started in March 1942 on the basis of recommendations submitted by the War Production Board to Defense Supplies Corporation.

Mr. SOURWINE. Did they say to you, "Buy so much," or did they say to you, "Buy all you can"?

Mr. SABIN. Originally they first recommended, as I recall it, to purchase up to 25,000,000 gallons; from time to time those recommendations thereafter were increased, and at some later date arrangements were made, in effect, for two directives; one gives the over-all stock-pile figure and the other an allocation covering the production of specific plants.

Mr. SOURWINE. What are those two figures; do you recall, sir?

Mr. SABIN. Well, the original directive was 25,000,000 gallons. That was increased from time to time, and we finally reached the total of 160,000,000 gallons for all governmental agencies.

Mr. SOURWINE. You mean at one time you were stock-piling as high as 160,000,000 gallons?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. That is in excess of the stock-pile storage space, isn't it?

Mr. SABIN. Well, at that time we had theoretical capacity, under lease, that is, in our name, and also available through other governmental agencies of 140,000,000 gallons.

Mr. SOURWINE. Yes, sir—

Mr. SABIN. And the highest total, as I recall, was about 130,000,000—I am informed 138,000,000.

Mr. SOURWINE. Well, certainly, you could not have stock-piled more than you had storage capacity for, so it is not unusual—

Mr. SABIN. It was our practice to arrange storage, not for the complete stock pile, but only in anticipation of the next month or two's deliveries.

Mr. SOURWINE. You could have arranged more if it had been necessary?

Mr. SABIN. That is right.

Mr. SOURWINE. What is the present directive from W. P. B. in regard to the limitation on stock-piling?

Mr. SABIN. That last amount has never been reduced. Theoretically, we are still to stock-pile 160,000,000 gallons.

Mr. SOURWINE. You are still trying to buy up to 160,000,000 gallons?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. Do you recall whether there was any change in the directive in that regard in the fall of 1943?

Mr. SABIN. Do you mean a reduction in the quantity?

Mr. SOURWINE. Or an increase in it.

Mr. SABIN. No. The last increase in stock pile, as I recall it, was made in June 1943.

Mr. SOURWINE. That is when they raised it to 160,000,000 and it has been there for the last year.

Mr. SABIN. Yes, sir.

Mr. SOURWINE. You are familiar, are you not, with the requirements of the rubber program?

Mr. SABIN. Generally, yes.

Mr. SOURWINE. At least, as they are made, aren't you? Do you recall whether there was any sharp increase in the requirements or anticipated requirements of the rubber program during the fall of 1943?

Mr. SABIN. Yes; there was a steady increase during most of 1943, which was considerably accelerated from September or October on.

Mr. SOURWINE. Well, I have been told substantially that before, sir, and it puzzles me, because on April 20, 1943, the W. P. B. estimated that requirements for alcohol for rubber for that year would be 61.1 million gallons, and in October of that year they had reduced the estimate of requirements for the rubber program to 43.3 million gallons—I will correct myself, sir, those figures are figures for direct military requirements—the figures for the rubber program dropped from 144.5 on April 20 to 129.8 on October 20, and there was a reduction between those two dates.

Now, if there was an increase in need, why wasn't it reflected in the W. P. B. estimate?

Mr. SABIN. I cannot explain that, sir.

Mr. SOURWINE. But you know that there was an increase in the need.

Mr. SABIN. Yes, sir; that is, judging by our shipments.

Mr. SOURWINE. Do you know, sir, whether it is practical to get alcohol from Puerto Rico and the Virgin Islands?

Mr. SABIN. It will not be practical without the installation of considerable equipment for handling alcohol on a bulk basis, including tank cars and the installation of storage facilities.

Mr. SOURWINE. And that equipment is not now available?

Mr. SABIN. No; I understand not.

Mr. SOURWINE. Are you familiar with the protocol under which we lend-lease alcohol to Russia?

Mr. SABIN. No.

Mr. SOURWINE. Are you familiar with the costs of alcohol?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. Have you been able as yet to compile the information that we asked for in that regard?

Mr. SABIN. Not completely, Mr. Sourwine; we have some.

Mr. SOURWINE. Do you have any information there which you think would be valuable in that connection?

Mr. SABIN. We have made an estimate as to the operations for the first quarter of 1944.

Mr. SOURWINE. Yes, sir.

Mr. SABIN. Our alcohol prices range from 48 cents a gallon for molasses alcohol to as high as \$1.46 for grain alcohol.

Mr. SOURWINE. Yes, sir.

Mr. SABIN. High wines range from 45 cents a proof gallon to 83½ cents a proof gallon. We estimate—our figures show that during the first quarter we purchased a total of 110,000,000 gallons of all sorts, including alcohol redistilled from high wines; approximately 40,000,000 gallons of that quantity cost in excess of 90 cents a gallon.

Mr. SOURWINE. How much of it cost in excess of \$1.25 a gallon, do you know?

Mr. SABIN. I would judge not more than three or four million gallons. No, our figures here show that the quantity in excess of \$1.25 per gallon was around 1,077,000 gallons.

Mr. SOURWINE. Which was a small proportion.

Mr. SABIN. Yes.

Mr. SOURWINE. Did you happen to make any computation of how much that average cost would have been reduced if you had not bought that very high cost alcohol?

Mr. CARR. That computation we have not quite finished.

Mr. SOURWINE. Mr. Chairman, we have requested these figures in some detail and I should like to ask, when they are furnished, they be inserted in the record at this point.

The CHAIRMAN. They may be furnished and they may be inserted at this point.

(The information requested was supplied in the following letter from the Secretary of Commerce.)

THE SECRETARY OF COMMERCE,
Washington, May 24, 1944.

HON. PAT MCCARRAN,
United States Senate, Washington, D. C.

DEAR SENATOR MCCARRAN: In reply to your letter of May 12, with regard to information requested in connection with the alcohol-purchase program of the Defense Supplies Corporation, may I submit the following information:

There are currently 88 plants supplying alcohol at prices in excess of 90 cents per 190-proof gallon; 57 plants whose prices are in excess of \$1 per gallon; and 10 plants whose prices are in excess of \$1.25 per gallon.

During 1943 the Defense Supplies Corporation purchased 70,511,626 gallons at prices in excess of 90 cents per gallon; 21,029,787 gallons in excess of \$1; 4,301,981 gallons in excess of \$1.25; and 1,724,806 gallons in excess of \$1.50.

During the first 3 months of 1944 the Defense Supplies Corporation purchased 35,306,754 gallons at prices in excess of 90 cents per gallon; 11,256,904 gallons at prices in excess of \$1 per gallon; and 1,077,475 gallons at prices in excess of \$1.25. No alcohol is currently priced at \$1.50 or better.

If the Defense Supplies Corporation were to eliminate from its future purchases all alcohol manufactured in plants whose sales prices to the D. S. C. exceed 90 cents per gallon, \$1 per gallon, and \$1.25 per gallon, the resale price to other Government agencies would be reduced from the present price of 90 cents per gallon to 81 cents per gallon, 85 cents per gallon, and 89 cents per gallon, respectively.

We trust that this information covers satisfactorily the points raised in your letter.

Sincerely,

JESSE H. JONES,
Secretary of Commerce.

Mr. SOURWINE. Mr. Sabin, have you any idea what quantity of alcohol which you buy and then sell back to the producer is subsidy alcohol?

If you do not have that figure now, sir, will you produce that figure? Mr. SABIN. I may say that the subsidy program of the Defense Supplies Corporation went into operation July 1, 1943, and applied primarily to grain alcohol. At that time the commercial alcohol plants on the east coast were practically all engaged in the production of grain alcohol. Since late in 1943 there have been increased quantities of molasses available. The result is that the quantities of alcohol subsidized and the dollar payments have gone down very materially in the last few months.

Mr. SOURWINE. Can you give us those figures, the amount you purchased and the amount of subsidy involved, and would you be good enough to break it down by months so that we can see the declining rates?

Mr. SABIN. Yes, sir.¹

Mr. SOURWINE. Can you tell us whether there is any subsidy arrangement in connection with cane prices?

Mr. SABIN. All molasses alcohol is sold, or sells at a price of 48 cents per gallon, that being the O. P. A. price ceiling.

Mr. SOURWINE. Yes, sir.

Mr. SABIN. That price is maintained by reason of our sales policy in regard to selling molasses which we sell at a price of 2.685 cents per pound total sugars which is approximately 16½ cents per gallon.

Mr. SOURWINE. What does that molasses cost you?

Mr. SABIN. At the present time we estimate that we lose approximately 3 cents a gallon on that molasses.

Mr. SOURWINE. What is the cost of the molasses we are getting from Cuba?

¹ The information requested appears hereafter in the Appendix, at p. 841.

Mr. SABIN. The purchase price at terminal points in Cuba is 13.6 cents per gallon.

Mr. SOURWINE. And you are going to sell it at what?

Mr. SABIN. 16½ cents a gallon and it cost us about 6 cents to bring it from Cuba and land it in the United States.

Mr. SOURWINE. So that in Cuban molasses which cost you approximately 19.6 cents, you will take a loss of about 3 cents a gallon.

Mr. SABIN. Yes, sir.

Mr. SOURWINE. That isn't 3 cents a pound, is it?

Mr. SABIN. No, 3 cents a gallon, about ¼ cent a pound on the basis of total sugars content.

Mr. SOURWINE. Half a cent a pound total sugars content, and that is the net subsidy to molasses alcohol producers?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. What is the production cost of alcohol in Cuba, do you know, sir?

Mr. SABIN. We have never received any figures as to their cost. We are told that they have plants of varying efficiency and we have assumed that the more efficient plants should produce alcohol at a cost basis comparable to our plants in this country.

Mr. SOURWINE. What are we going to give Cuba for the alcohol we will get from her?

Mr. SABIN. We have agreed to pay 65 cents a gallon.

Mr. SOURWINE. So that there is considerably more subsidy, if I may use that term, in the alcohol which we buy from Cuba than in the molasses which we buy from Cuba to produce alcohol here?

Mr. SABIN. That is right.

The CHAIRMAN. What did they formerly get for their alcohol?

Mr. SABIN. It depends on the purpose for which it is sold.

The CHAIRMAN. For beverage purposes, beverage alcohol, what did they formerly get for it?

Mr. SABIN. Those prices have never been officially released. We have been told informally they range from 90 cents a proof gallon to perhaps as high as \$1.75 a proof gallon, but those are all private deals.

Mr. SOURWINE. Those are proof-gallon prices, whereas we were talking a moment ago of wine gallons at 190 proof.

Mr. SABIN. Yes.

Mr. SOURWINE. So that you would almost have to double those prices to get a comparable figure?

Mr. SABIN. That is right.

Mr. SOURWINE. So that prices running from \$1.70 or \$1.75 up do not give any picture of what they are selling at as beverage, if they can.

Mr. SABIN. That is right, they have a very substantial profit under it.

Mr. SOURWINE. Mr. Sabin, do you buy alcohol for the rubber program?

Mr. SABIN. Yes.

Mr. SOURWINE. Can you tell us how much alcohol the rubber program is presently using?

Mr. SABIN. Approximately 1,000,000 gallons a day.

The CHAIRMAN. A day?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. Would that approximation be within 10 percent or within 5 percent?

Mr. SABIN. 5 percent, I would say.

Mr. SOURWINE. You won't say it was accurate within more than 5 percent?

Mr. SABIN. No.

Mr. SOURWINE. So that for the year's use you would not know within at least 15,000,000 gallons what their requirements will be?

Mr. SABIN. No, sir; we project no figures as to need. You understand, the Defense Supplies Corporation acts as a service agency in this.

Mr. SOURWINE. Can you give us a figure of the amount of alcohol which the rubber program has consumed during the first 3 months of this year?

Mr. CARR. We can give you the amount shipped, not the amount consumed.

Mr. SOURWINE. May we have the amount shipped?

Mr. CARR. We have shipped approximately 92,500,000 gallons, out of total purchases of about 110,000,000 gallons.

Mr. SOURWINE. You shipped approximately 92,500,000 gallons?

Mr. SABIN. Yes; that is so—I would like to check that figure a little more accurately.

Mr. SOURWINE. If you will correct it when you read the record.

Mr. SABIN. All right, sir.

Mr. SOURWINE. Has Cuba delivered any alcohol to us this year, sir?

Mr. SABIN. Not yet. They have taken 11 tank cars which are now being loaded.

Mr. SOURWINE. They have not indicated when they will start deliveries, have they?

Mr. SABIN. No.

Mr. SOURWINE. Have they advised you how much they expect to deliver?

Mr. SABIN. No, sir.

Mr. SOURWINE. On the best knowledge at your disposal would you estimate what amount of alcohol we will get from Cuba this year?

Mr. SABIN. Barring unforeseen developments I would think we should get approximately a million gallons a month beginning in June.

Mr. SOURWINE. You mean that we will get no more than 7,000,000 gallons of alcohol from Cuba this year?

Mr. SABIN. I don't think we will now, not under the present contract.

Mr. SOURWINE. Mr. Scheuer was of the firm impression that we might get as much as 20,000,000 and certainly would get more than 12½ million.

Mr. SABIN. You are talking about the calendar year?

Mr. SOURWINE. I am talking about this calendar year, sir. So that this may be very clear, do you have any knowledge which he does not have? I assume you must since you arrive at a different conclusion.

Mr. SABIN. No, sir; it is strictly a matter of opinion. I perhaps am somewhat discouraged by the delay there has been in the first deliveries.

Mr. SOURWINE. What has been mainly responsible for that delay, sir?

Mr. SABIN. There seems to be a dearth of information as to any sound reason as to why deliveries are not being made. It is my surmise that there is still hope that the beverage trade will be revived.

Mr. SOURWINE. You mean on the part of the Cubans?

Mr. SABIN. That is right.

Mr. SOURWINE. Do you feel that the delay is to be laid at the door of the Cubans?

Mr. SABIN. Yes, sir. We have been ready to receive alcohol since early in April.

Mr. SOURWINE. It is not any failure of the proper agency in this country to provide shipping.

Mr. SABIN. No, sir.

Mr. SOURWINE. It is not due to any unwillingness or lack of enthusiasm on the part of some of the W. P. B. for receiving it?

Mr. SABIN. No, sir. We have completed all of our arrangements which took time and involved a great deal of work, but once our contract was signed, why, we went right ahead with it.

Mr. SOURWINE. You mean to say you have done all you could to facilitate early, speedy delivery?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. And the same would be true of the W. P. B., so far as you know?

Mr. SABIN. Yes. You see, the alcohol contract was not actually signed until April 1. As soon as it was signed we set up our paper work and mechanics for handling shipments and for payment.

Mr. SOURWINE. It is definitely your impression that there is a certain lack of enthusiasm in Cuba for shipping alcohol under this contract?

Mr. SABIN. It would appear so.

Mr. SOURWINE. Mr. Sabin, do you maintain the rubber stock pile?

Mr. SABIN. No.

Mr. SOURWINE. Do you maintain a stock pile of synthetic rubber?

Mr. SABIN. The Defense Supplies Corporation does not, that goes over into the operations of the Rubber Reserve Company with which I am not familiar. I am not familiar with their stockpiling policy.

Mr. SOURWINE. You do not know anything about their policies in that regard?

Mr. SABIN. No, sir.

Mr. SOURWINE. Now, then, to clear up a point which was in a small measure of doubt at previous hearings, your alcohol stocks do not include alcohol at producing plants or in tank cars, is that right?

Mr. SABIN. That is correct.

Mr. SOURWINE. You take delivery in tank cars?

Mr. SABIN. Yes, sir.

Mr. SOURWINE. But you do not include it in your stock pile figure until you have delivered it at the storage plant?

Mr. SABIN. That is right.

Mr. SOURWINE. All of your alcohol is in storage at bonded warehouses or denaturing plants, is it not?

Mr. SABIN. Yes.

Mr. SOURWINE. So that your figures on that would be the same figures that the Alcohol Tax Unit would give for the bonded warehouse or denaturing plants which are licensed to use it.

Mr. SABIN. I would like to have Mr. Fenderson explain that point.
Mr. FENDERSON. With respect to Defense Supplies Corporation's stock that is true. There is a duplication in statistics between the Alcohol Tax Unit record and ours.

Mr. SOURWINE. And the Runner Reserve stocks are held at the plants almost entirely?

Mr. FENDERSON. I think they are technically denaturing plants.
Mr. SOURWINE. That is the point I wanted to bring out. So that they will show them in the Alcohol Tax Unit figures, also?

Mr. FENDERSON. That is correct.
Mr. SOURWINE. And the figure compiled from the Alcohol Tax Unit records, the balance which they show to be used by the Rubber Reserve, presumably comes out of the same figure as you have in your stock pile?

Mr. FENDERSON. With respect to the total.
Mr. SOURWINE. What is the reason for it differing from your figure then?

Mr. FENDERSON. The reason is that the Chemical Warfare stocks and probably the naval stocks, too, would not be included in the Alcohol Tax Unit report since—

Mr. SOURWINE. That is correct, but you have listed them separately in different categories.

Mr. FENDERSON. That is correct.
Mr. SOURWINE. The other two we can get a check-back on.
Mr. FENDERSON. That is right.

Mr. SOURWINE. Are you familiar sir, with the allocation of import quotas on alcohol?

Mr. SABIN. No, I am not.
Mr. SOURWINE. Do you know anything about the policy in that regard?

Mr. SABIN. No, sir. I talked to Mr. Smiley however—
Mr. SOURWINE. Who is Mr. Smiley?
Mr. SABIN. I understand he is an administrator for W. P. B.

Mr. SOURWINE. Is he the latest acquisition by W. P. B., if you know, sir?

Mr. SABIN. Yes; apparently.
Mr. SOURWINE. Brought in for that job, perhaps?

Mr. SABIN. Yes, he was there several months ago with the Liquors and Tobacco Branch. He was chief of that section, then that particular operation was transferred to the War Food Administration, and Mr. Smiley came back with W. P. B. early in April.

Mr. SOURWINE. Is he a man experienced in the liquor business, do you know?

Mr. SABIN. I frankly do not know.
Mr. SOURWINE. You purchase, do you not, the surplus production of industrial alcohol plants over and above the commercial requirements of such plants.

Mr. SABIN. Yes, sir.
Mr. SOURWINE. What do you understand by that term "surplus over and above commercial requirements"?

Mr. SABIN. If the commercial alcohol plant is able to make sales of all its production, there is no allocation given to the D. S. C. However, if their production exceeds the sales to commercial users,

or anticipated sales the D. S. C. is then requested to buy the production in excess of that quantity.

Mr. SOURWINE. I see.
Mr. SABIN. There are so many sales they cannot make, and the surplus you buy.

Mr. SABIN. That is right. W. P. B. establishes the uses for which they can sell commercially, as I understand it, and within that framework they are free to operate.

Mr. SOURWINE. That is a little bit different from the situation in regard to beverage distillers who are required to sell you every drop they make, isn't it?

Mr. SABIN. Yes, sir.
Mr. SOURWINE. Are you familiar with the trend in lend-lease requirements, sir?

Mr. SABIN. Generally I am familiar with our deliveries which we have made during the last 18 months.

Mr. SOURWINE. Have you any thought as to why the published estimates on lend-lease requirements jump around so much?

Mr. SABIN. I don't know sir, unless it is the protocol.
Mr. SOURWINE. The protocol does not jump around, does it, sir?

Mr. SABIN. It might be related to shipping, or anticipated available shipping.

Mr. SOURWINE. The protocol figure would be a precise figure, we have been told here, for a given year; that being the case it would seem a simple matter to put that figure in as the estimate for that year, wouldn't it?

Mr. SABIN. Yes.
Mr. SOURWINE. If you are given a figure of that amount which was needed for the balance of the year, you would probably reduce it from time to time as shipments were made normally, but if you are simply quoting at different times within the year that same figure, namely, the total amount to be required during the year, that amount should remain reasonably constant and reasonably consonant with the amount provided by protocol, should it not?

Mr. SABIN. I am not entirely familiar with the estimate to which you refer, Mr. Sourwine. Our experience with deliveries is that they have gone forward quite steadily.

Mr. SOURWINE. Deliveries do not enter into this picture.
Mr. SABIN. Subject to shipping, and while they would vary, the estimates—what the estimates would be really, I do not know.

Mr. SOURWINE. I didn't mean to eavesdrop on you, but I heard part of what Mr. Fenderson said. I wonder if I might ask him to make some explanation of it for the record.

Mr. FENDERSON. I should think that protocol, as I understand it, is the fiscal year ending, I think June 30, and most of the estimates that you have been furnished, I suspect, were on the calendar-year basis.

Mr. SOURWINE. That is correct.
Mr. FENDERSON. I am not informed on this, but I don't believe that the protocol for the fiscal year ending June 30, 1945, has yet been ratified.

Mr. SOURWINE. No? Perhaps there is still some negotiation, some discussion, and you would expect a change in the figure, a different amount, at the end of the fiscal year?

Mr. FENDERSON. That is right. It seems to me that for the 12 months of the fiscal year from June 30, 1943, to June 30, 1944, you would have a fixed estimate or a protocol estimate.

Mr. SOURWINE. Yes.

Mr. FENDERSON. And for the last 6 months of the year 1944, assuming that the protocol has not yet been established, the estimate might vary from time to time as the negotiation varies.

Mr. SOURWINE. Suppose we go back to 1943, do you know when the protocol for the fiscal year 1943-44 was signed?

Mr. FENDERSON. I think the first information we received as to the amount covered by the protocol was in March or April of 1943.

Mr. SOURWINE. They signed it several months ahead of the beginning of the fiscal year?

Mr. FENDERSON. Yes.

Mr. SOURWINE. So that by March or April 1943 you knew what the 43-44 protocol figure would be?

Mr. FENDERSON. That is right.

Mr. SOURWINE. Now the W. P. B. estimate on lend-lease as of October 20, 1943, and that was the estimate for the full year 1943, was 64.5 million gallons; on December 1 of the same year their estimate was 46.6 million gallons; on January 30 of this year their estimate on lend-lease through 1943 was 56,000,000 gallons; on March 23 of this year their estimate for 1943, which by this time was 3 months gone, was 55.6 million gallons, and on April 15 of this year they revised it down to 48.9 million gallons—the last figure we have is April 15.

Mr. FENDERSON. Perhaps I can explain a little more about that.

Mr. SOURWINE. I wish you would.

Mr. FENDERSON. You may be correct, sir. With respect to the protocol figure for the fiscal year 1944—I am not quite sure. I thought then that figure was—I think it was 36,000 tons to Russian lend-lease.

Mr. SOURWINE. I don't know that protocol figure.

Mr. FENDERSON. Then this year's figure was—we were asked to deliver as rapidly as possible, particularly to Russia. There seemed to be great need for it, and we made special efforts to deliver it as rapidly as possible and engaged extra facilities on the west coast for receipt of alcohol by tank car and made special arrangements for speeding up our deliveries by tanker, so that with respect to these Russian requests from the Lend-Lease Administration, which directly supervised the Soviet protocol at that time, we were able to expedite deliveries. We delivered much more than the monthly amount called for under the protocol, so that by the end of 1943 we had virtually delivered the entire protocol amount for the fiscal year.

Mr. SOURWINE. Oh, I see. Well, how does that compare with the fact that estimates on lend-lease requirements for the next year are higher?

Mr. FENDERSON. Well, then there was a period during which there was some question whether the Russians would be allowed more than the protocol quantity or whether they would be held to that figure, and upon their urgent request and intervention of the lend-lease authorities an agreement was reached that to the extent mechanically possible they would be supplied with additional alcohol over and above the protocol amount during the first 6 months of 1944.

Mr. SOURWINE. What were the protocol amounts for the 1944-45 fiscal year; do you know?

Mr. FENDERSON. That I don't know. We have not received any information as to that yet.

Mr. SOURWINE. You don't have that. The protocol for 1943-44, you say, was almost all shipped early in 1943?

Mr. FENDERSON. That is right—well, early in the first half of the fiscal year, the last half of the calendar year.

Mr. SOURWINE. The last half of the calendar year. Then at the present moment we are still shipping against a protocol figure which has not yet been settled?

Mr. FENDERSON. That is right. The question on deliveries is whether that is to be charged against their future protocol, or whether it is an increase in the old protocol.

Mr. SOURWINE. Which is surplus under the old. That would be an interesting viewpoint, would it not?

Mr. Chairman, I have no further questions of these gentlemen.

The CHAIRMAN. Very well.

Mr. SOURWINE. I have two communications—I mean, I should like to insert them in the record. One is a letter which was sent to the committee with a request that it be inserted. This is a resolution adopted by the National Alcoholic Beverage Control Association at its convention in New York April 18 and 19.

The CHAIRMAN. It may be inserted in the record.

Mr. SOURWINE. The communication reads as follows:

The following resolution was adopted unanimously by the National Alcoholic Beverage Control Association at its convention held in New York on April 18 and 19, 1944:

"Whereas the cessation of the manufacture of distilled spirits for beverage purposes since October 1942 is creating a condition of illegal and obnoxious practices, such as black markets, bootlegging, hijacking, racketeering, gangsterism, and the illegal manufacture and distribution of alcoholic liquors which menace the public health and public welfare; and

"Whereas such conditions are impeding and threatening the orderly and proper administration of the system of alcoholic beverage control by the various State commissions charged with that important duty; Now, therefore

"The National Alcoholic Beverage Control Association in a convention assembled in the City of New York on April 19, 1944, most respectfully and earnestly petition the Government, if consistent with the war requirements, to grant a reasonable opportunity for the distillation of spirits for beverage purposes;

"Resolved further, That the president of this association appoint a committee of members of the association to present this petition and make appropriate appeal for necessary relief to the proper authorities in Washington."

Mr. SOURWINE. The other communication bears no direct relation to the questioning which has been going forward today, but it concerns a point very much at issue in connection with the problem we are trying to solve, and I believe it should be in the record. Perhaps I may be permitted to read it into the record rather than submit it.

The CHAIRMAN. How long is it?

Mr. SOURWINE. It will take about 3 minutes.

The CHAIRMAN. That is not long. We still have 4 minutes left.

Mr. SOURWINE. This is from a publication on the demand and price situation, published by the Bureau of Agricultural Economics of the Department of Agriculture, and is dated April 1944, and the subheading is Wheat [reading]:

The winter-wheat-crop indications based on April 1 conditions are 602,000,000 bushels; 75,000,000 above the December figure, and 72,000,000 above—

The CHAIRMAN. What is the first figure?

Mr. SOURWINE. 75 million.

The CHAIRMAN. What was the estimated production?

Mr. SOURWINE. 602,000,000 bushels [continuing reading]:

72,000,000 above the crop in 1943 and 31,000,000 above the 1933-42 average. The indicated growth since December has been in both yields and reduction in acreage loss.

Then there is a discussion of specific sections of the country which I will skip for the sake of brevity [continuing reading]:

Assuming spring wheat yields equal to those of the past number of years, on the acreage report indications, without including the April estimate for the winter crop, the indicated 1944 production of all wheat would be approximately 825,000,000 bushels, a crop, it is estimated, that would take care of all of the wheat needed for domestic consumption, as food, as well as feed, normal feeding, moderate exports, and moderate quantities for the production of industrial alcohol.

That is all, sir.

The CHAIRMAN. Very well. Do you want to proceed tomorrow or this afternoon, or when?

Mr. SOURWINE. May we proceed tomorrow, Senator?

The CHAIRMAN. The committee will stand in recess until 10 o'clock tomorrow morning in room 357, this building.

Thank you, gentlemen, for coming up here.

(Whereupon, at 12 o'clock noon, a recess to 10 a. m., Friday, May 19, 1944, was taken.)

LIQUOR INDUSTRY

FRIDAY, MAY 19, 1944

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m. in room 357, Senate Office Building, Senator Pat McCarran (chairman) presiding.

Present: Senators McCarran (chairman) and Ferguson.

Also present: J. G. Sourwine, committee counsel.

The CHAIRMAN. The committee will come to order.

Mr. Sourwine, you may proceed.

STATEMENT OF BRADLEY DEWEY, RUBBER DIRECTOR, WAR PRODUCTION BOARD

Mr. SOURWINE. Colonel Dewey, we want to find out first this morning a little bit about the shifting requirements for alcohol in your rubber program. The only data we have on requirements that we could lay our finger on was the material which was put in the record of another committee hearing, showing that your estimated requirements for the year 1944 were, on November 11, 1943, 311,500 gallons; that on December 15 of that year the estimate had been revised upward to 327,000,000 gallons; that on January 25, 1944, the estimate had been revised upward to 345,000,000 gallons, and that on March 8, 1944, you advised Dr. Whitman that it would be unwise to plan alcohol requirements of less than 365,000,000 gallons for the rubber program in 1945.

Can you tell us, Colonel Dewey, when it became apparent to you that you would require more than 345,000,000 gallons for the present year?

Mr. DEWEY. Mr. Sourwine, I have brought you, for your records, feeling that you would probably like to have it that way, copies of all of my correspondence with Dr. Whitman, in which we had submitted our various requirements.¹

Mr. SOURWINE. That is splendid.

Mr. DEWEY. I think if I submit that for your record, it will help you.

Senator FERGUSON. Colonel Dewey, do you give the doctor the reasons why you were increasing the estimates of these requirements?

Mr. DEWEY. I am going to go on and answer your question, I hope, in a minute.

Mr. SOURWINE. Surely, sir.

¹ The correspondence referred to appears hereafter in the appendix, beginning at p. 845.

Mr. DEWEY. I have also prepared a copy, in graphic form—it seems to me that is the best form, and I hope it will not confuse you—of the various estimates we have made for consumptions by months, and the actuals that we have used in the months that have already gone by, starting back with November 23, 1942, when we submitted our first estimate. Now, I have done that this way because of the fact that while you speak of figures in terms of a year, the actual estimates that we have made and which are of value in analyzing the drift of our thinking have been made in terms of months. That is, we forecast whenever Dr. Whitman asks for it, I think it is once every 4 to 6 weeks, somewhere in there, perhaps 2 months, if it is not changing enough. We forecast our probable use by months, so I have put down the estimates here in a bar chart.

Mr. SOURWINE. I notice you have several copies of those.

Mr. DEWEY. I have got enough for all of you.

Mr. SOURWINE. While you are talking, can you let the members of the committee have them?

Mr. DEWEY. Yes. Looking at these here, you find in our charts the black bars. That is what we actually use. The gray or cross-hatched gray bars of these estimates represent the minimum figure given. The top of the bar represents the maximum, and that black dot represents the in-between.

Now, some of these estimates were given as so much plus or minus 10 percent, or plus or minus 20 percent, but if you look at the black dot you will see what the mean was.

This really tells the story of the making of butadiene from alcohol. You notice that back in November 29, 1942, we made some estimates, and we corrected those on January 20, 1943. I am looking at the first bar on the left. We corrected those again on February 10, 1943—or as a matter of fact, we left them exactly the same. In March we used just about where the black dots came, you see. You see the use stepping up gradually. In June it misfired. We had a lot of trouble, so we did not get up to our estimate, and the world looked a little black there. You see our estimate of April 8, 1943, reflected our discouragement a little because the maximum figures for June were down below the earlier ones that had been given. You find July is not too good, but in July we realized we were going to come out of our trouble.

Mr. SOURWINE. Were you going up?

Mr. DEWEY. We were going up very fast. So you see there a pretty realistic estimate has been made, at that time for October, and you see in October our actual consumption was up to our estimate, except the very last estimate made on September 17.

Now, let us go along and look at April, the last figure, and see how it hit the various estimates. Well, it hit every estimate excepting the one made on the 3d of March, and it was not quite up to that. The figure for March was above every estimate made excepting an estimate made on September 17, where it was on the button, and an estimate made on March 8. But they had been very, very close to these estimates, and the whole historical background of every estimate is on this chart.

Now, the last estimate as you see it here reflects 365,000,000 gallons a year of alcohol consumed. The highest that we have actually used was in March, which was at the rate of 360,000,000 gallons, and we

dropped down a little in April, which I do not need to tell you was a short month there, and we had some boiler troubles.

Now, what are we going to use is what you probably are interested in.

Mr. SOURWINE. Very much, sir.

Mr. DEWEY. It is all dependent upon factors that have nothing to do with alcohol. We have estimated our requirements of rubber, we made out an advance production schedule and all, in which we assume that the petroleum end of the program will produce so much butadiene. If it does as well as it may well do, and perhaps some would say it should do, we could back those estimates of fifteen to twenty thousand tons.

Senator FERGUSON. You mean back these off [indicating]?

Mr. DEWEY. Million gallons, I mean. Back off the top estimate, which is 365,000,000. Recently the petroleum part of the program started to swing. Today it looks pretty good, but it comes in terms of the over-all delivery. There still is one plant which is not in at all. There is one plant that has had a very, very bad break through no fault of its own. I mean the ersatz pipe that was used in place of the cast-iron pipe, and when it breaks it wrecks the refinery, the chemical plant. Most breaks occur in the first 2 or 3 months, and after we can get them out of our system, we can go right ahead, but one refinery, because of no fault of its own, just killed all the high hopes 2 weeks ago, and it probably will be another week before we get it on the line again. It is just because of the use of concrete when we ought to have used the cast iron.

If the petroleum fellows deliver—and their delivery is not dependent, to my mind, upon the production, but it depends upon the demand of the high octane program for butylenes, and we are certainly sharing the same butylene supply as they are—if the high octane program can let us have the butylenes we can and will back off on alcohol. We will back off on alcohol, because alcohol butadiene costs us five times as much per gallon, under today's conditions, as the cheapest of the petroleum butadiene that we are now making.

Senator FERGUSON. You mean the cheapest of alcohol butadiene?

Mr. DEWEY. The cheapest petroleum butadiene. Alcohol is all the same.

Mr. SOURWINE. That is about 90 cents, isn't it?

Mr. DEWEY. The butadiene from alcohol is all the same.

Mr. SOURWINE. Yes.

Mr. DEWEY. That is because of the fact that Defense Supplies buys all the alcohol and it is averaged before we get it, so that brings our costs all out the same. In the case of the petroleum we buy from the separate plants, so we get a plant cost, not an average cost.

Senator FERGUSON. How soon do you anticipate that you will realize the output from this new oil expansion?

Mr. DEWEY. It is entirely a question of high-octane demands.

Senator FERGUSON. Do you have any knowledge on that, as to what the demands will be? Have you any estimates on that?

Mr. DEWEY. Well, I think I can answer your question by saying that the demand is insatiable. We have a guarantee, what some people speak of as the Oklahoma guaranty.

Mr. DEWEY. I have also prepared a copy, in graphic form—it seems to me that is the best form, and I hope it will not confuse you—of the various estimates we have made for consumptions by months, and the actuals that we have used in the months that have already gone by, starting back with November 23, 1942, when we submitted our first estimate. Now, I have done that this way because of the fact that while you speak of figures in terms of a year, the actual estimates that we have made and which are of value in analyzing the drift of our thinking have been made in terms of months. That is, we forecast whenever Dr. Whitman asks for it, I think it is once every 4 to 6 weeks, somewhere in there, perhaps 2 months, if it is not changing enough. We forecast our probable use by months, so I have put down the estimates here in a bar chart.

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Mr. DEWEY. Well, I think I can answer your question by saying that the demand is insatiable. We have a guarantee, what some people speak of as the Oklahoma guaranty.

I think there will be a little backing off on this alcohol to the tune of perhaps at the rate of 15,000,000 gallons a year. That is, we may come down to 350,000,000 rather than 365,000,000.

Mr. SOURWINE. Did you say Oklahoma guaranty or Arkklahoma? Mr. DEWEY. "Arkklahoma"—would that be better? I will accept that modification. We might back off perhaps in the first of September—August or September.

Senator FERGUSON. That is at the rate of 15,000,000 a year?

Mr. DEWEY. Yes. We are dealing with awfully small amounts at the top end of this thing here, when you talk about using 350,000,000, 365,000,000, or 340,000,000, and the fact we estimate we will take 30,500,000 gallons a month and we only take 29,500,000. In this type of estimating we are perfect, but in the type of figures you are looking at, it is very important.

Mr. SOURWINE. There is no criticism of your estimate, Colonel.

Senator FERGUSON. When you look at your black line of March, how many million gallons has that used?

Mr. DEWEY. The black line of March was 30,000,000 gallons for the month.

Senator FERGUSON. Yes.

Mr. DEWEY. Approximately. That means 12 times 30 is 360,000,000.

Senator FERGUSON. Then you came down in April?

Mr. DEWEY. We came down in April.

Senator FERGUSON. Now, what was the reason for coming down in April?

Mr. DEWEY. It was 1 day shorter, and there was boiler trouble at Louisville.

Mr. SOURWINE. Colonel Dewey, we would like to get a few specific detailed answers for the purpose of comparison with facts that are already in the record. I do not have those letters yet that you are going to contribute for the record, but I will ask you some questions about them while you are here.

Senator FERGUSON. Before you go into that—has the ability to make this rubber into finished products anything to do with the amount of alcohol you use?

Mr. DEWEY. Not at all; no. That has all been determined; that has all been set. I would like to say this off the record.

The CHAIRMAN. Very well.

(Discussion off the record.)

Mr. SOURWINE. Colonel Dewey, do you remember when it was that you advised Dr. Whitman that you would use for this year a total of 365,000,000 gallons?

Mr. DEWEY. On December 15 it was 328,000,000 plus or minus 10 percent, with a statement made to him on the telephone that I thought there was a lot more likelihood of plus than minus. That was December 15.

Mr. SOURWINE. Yes, sir.

Mr. DEWEY. On January 25, I said 345,000,000 gallons, plus or minus 5 percent.

Mr. SOURWINE. Yes, sir.

Mr. DEWEY. In other words, I stepped it up at that time to take off the 10 percent leeway there.

Mr. SOURWINE. Yes, sir. That was an indication that your maximum use per year would be 365,000,000 gallons?

Mr. DEWEY. He was told we would more likely go on the up than down. On February 10 we put that in definite writing where we said:

The attached table gives our present estimated alcohol requirements of 345,300,000 gallons. This is an increase of 17,700,000 gallons from our estimate of December 15. We believe this new estimate is probably better than those previously made, therefore the variation limits can be dropped from plus or minus 10 percent to plus or minus 5 percent. Mr. Dewey believes that actual consumption is more likely to be in line with plus or minus 5 percent.

Mr. SOURWINE. Was that the last communication you had with Dr. Whitman?

Mr. DEWEY. On March 6, we told him our present estimate is 365,000,000 gallons.

Mr. SOURWINE. Was that for 1944?

Mr. DEWEY. That was the calendar year 1945.

Mr. SOURWINE. Yes, sir. That was your letter of March 8 in answer to a letter from Dr. Whitman of March 6?

Mr. DEWEY. That is right, yes.

Mr. SOURWINE. Do you have Dr. Whitman's letter there, by any chance?

Mr. DEWEY. No, I haven't brought his letter here.

Mr. SOURWINE. Will you let us have that, Colonel Dewey?

Mr. DEWEY. I would be glad to do that, and I am sure he would be glad to submit it.¹

Mr. SOURWINE. That is fine.

Mr. DEWEY. Then, on April 7, I said, speaking of 1945, that I did not think it was safe for us to contemplate that our demands for that year would be less than 365,000,000 gallons. That was drifting back to this year, you see.

Mr. SOURWINE. That was on April—when?

Mr. DEWEY. April 7.

Mr. SOURWINE. Now, Colonel Dewey, your alcohol butadiene plants are now operating at approximately 180 percent of rated capacity, are they not, sir?

Mr. DEWEY. What did you say?

Mr. SOURWINE. Your alcohol butadiene plants are presently operating at 180 percent of rated capacity, are they not, sir?

Mr. DEWEY. The March figures I think I can give you.

Do you want this on or off the record?

As far as I am concerned, it is all right for it to go on the record. The military, for some reason or other, wanted it off the record.

Mr. SOURWINE. Mr. Donald Nelson testified to the figure of 170 the other day.

Mr. DEWEY. The average for the month of March was 178 percent.

Mr. SOURWINE. That is about as high as they can go, is it not, Colonel Dewey?

Mr. DEWEY. One plant ran 187 percent, and one unit of one plant ran 205 percent.

Mr. SOURWINE. That is tremendous production above rated capacity, is it not?

¹ The letter in question appears in the appendix at p. 854.

Mr. DEWEY. Yes. That is why I say it could be driven higher.

Mr. SOURWINE. You do not think that is quite the ceiling?

Mr. DEWEY. It could be done.

Mr. SOURWINE. It is a practical ceiling as far as your estimates go? You are not estimating on driving it higher?

Mr. DEWEY. We are not estimating on driving it higher; no.

Mr. SOURWINE. Now, you are apparently estimating on the basis of nearly a million gallons a day, are you not, sir?

Mr. DEWEY. Yes.

Mr. SOURWINE. From here on in?

Mr. DEWEY. Yes.

Mr. SOURWINE. You have left those figures at 31,000,000 gallons even taking a 30-day month?

Mr. DEWEY. Yes.

Mr. SOURWINE. Actually, it will be 30,000,000 in some months?

Mr. DEWEY. We make all our estimates not in terms of days but in terms of months.

Mr. SOURWINE. In figuring 30-day months?

Mr. DEWEY. We do not figure 31 days. You always have shut-downs, due to breaks, and you just average them out.

Mr. SOURWINE. The best estimate of what you can use for the rest of the year is a million gallons a day?

Mr. DEWEY. Three hundred and sixty-five million gallons, which happens to be a million gallons a day. It has nothing to do with our estimating that figure.

Mr. SOURWINE. Colonel Dewey, you have used for the first 4 months of this year, some 5,000,000 or 6,000,000 gallons less than a million gallons a day rate, have you not, sir?

Mr. DEWEY. Yes; and we so estimated.

Mr. SOURWINE. Yes. So, for this calendar year your actual use, on the basis of your estimates of use for the remainder of the year will be 359,000,000 to 360,000,000 gallons, is that right, sir?

Mr. DEWEY. Yes; that is right. In other words, what you are saying is we have no plans to go back and pick up the deficit.

Mr. SOURWINE. That is right. You are not going to push this above the estimate so as to be sure you will use the 365,000,000 gallons?

Mr. DEWEY. Not unless we have some great disappointments on the petroleum end.

Senator FERGUSON. And you do not anticipate those?

Mr. DEWEY. We do not anticipate those. I want to make that very clear, we do not anticipate those deficits.

Mr. SOURWINE. Yes, sir.

Senator FERGUSON. If anything, you anticipate that that will increase, so that this end of it may decrease?

Mr. DEWEY. I hope so. I would rather say "hope" than "anticipate."

Mr. SOURWINE. Now, Colonel Dewey, your butadiene plants, from petroleum I should say, are rapidly coming into specification production, are they not, sir?

Mr. DEWEY. You mean by "specification" as to quality?

Mr. SOURWINE. Yes, sir.

Mr. DEWEY. Their quality is excellent.

Mr. SOURWINE. The Neches plant came in when?

Mr. DEWEY. The latter part of February.

Mr. SOURWINE. When you say "came in" there, what do you mean?

Mr. DEWEY. Started to produce.

Mr. SOURWINE. Started to produce up to specifications?

Mr. DEWEY. "Specifications" to us means quality.

Mr. SOURWINE. That is what I am trying to find out.

Mr. DEWEY. It does not mean the rate.

Mr. SOURWINE. No?

Mr. DEWEY. I want that clear.

Mr. SOURWINE. When you say a plant came in, you do not mean it is up to capacity, you merely mean it is producing a quality which meets specifications?

Mr. DEWEY. That is right.

Mr. SOURWINE. That Neches plant came in, then, in February. When did the Houston plant come in?

Mr. DEWEY. Baytown?

Mr. SOURWINE. Yes, sir.

Mr. DEWEY. You mean the Sinclair plant at Houston?

Mr. SOURWINE. Yes, sir.

Mr. DEWEY. The companion of Neches?

Mr. SOURWINE. Yes.

Mr. DEWEY. The latter part of April.

Mr. SOURWINE. What about the Shell plant in California?

Mr. DEWEY. The latter part of April.

Mr. SOURWINE. When do you expect the Lake Charles plant will come in?

Mr. DEWEY. They assure us it will be in the month of June.

Mr. SOURWINE. They will not make it this month, then?

Mr. DEWEY. No.

Mr. SOURWINE. Now, Colonel, in terms of rate capacity what is the Neches plant now producing?

Mr. DEWEY. In April, 106 percent of rated capacity, for the first half of Neches. The last half of Neches is just coming on the line.

Mr. SOURWINE. That is what I called the Houston plant?

Mr. DEWEY. No.

Mr. SOURWINE. You are talking about the A and B plants?

Mr. DEWEY. The A and B at Neches. The A is a 50,000-ton a year and the B is 50,000 tons, an exact duplicate, and the Sinclair at Houston is 50,000 tons, an exact duplicate. They came on the line in this order: Neches A, Sinclair and Neches B.

Mr. SOURWINE. I see. You are getting 106 percent out of Neches A?

Mr. DEWEY. Yes.

Mr. SOURWINE. What are the indications from Houston?

Mr. DEWEY. All three of those units will need certain mechanical additions.

Mr. SOURWINE. Yes, sir?

Mr. DEWEY. Largely in compressor capacity.

Mr. SOURWINE. The plants are not complete now?

Mr. DEWEY. Wait a minute. No chemical plant has ever been completed yet.

Mr. SOURWINE. That is something I would not know about.

Mr. DEWEY. I think we can say that. In other words, it just is not in the nature of things for them ever to be completed.

Mr. SOURWINE. Everything that was drawn up in the original plans, as far as you know, is in there; is it not?

Mr. DEWEY. Yes; but they keep finding bottlenecks, and so forth. To get the best operation and to be sure of being able to run at 100-percent capacity, and in order to have a probability, given feed stocks, of going over capacity, there will have to be more compressor capacity at Neches A and Neches B, and Sinclair. Now, that will take, say, 4 months to put in—or 5 months, perhaps. Given that additional compressor capacity and some other minor improvements, I prefer to say rather than changes, if they had adequate and suitable feed stocks, they could probably make well over rate capacity.

Mr. SOURWINE. Does the Neches A plant have any compressors now that the Houston plant does not have?

Mr. DEWEY. No.

Mr. SOURWINE. So that with Neches A running over 100 percent there is no reason to believe that Houston would not run over 100 percent, too?

Mr. DEWEY. Given the feed stocks, and we do not know where the extra feed stock is.

Mr. SOURWINE. The same can be said of Neches B?

Mr. DEWEY. Yes.

Mr. SOURWINE. How about the Shell plant?

Mr. DEWEY. There is very serious feed-stock shortage at Shell.

Mr. SOURWINE. I was just talking about the equipment.

Mr. DEWEY. The equipment?

Mr. SOURWINE. Yes.

Mr. DEWEY. I think they have got enough compressor capacity.

Mr. SOURWINE. How about the Lake Charles plant?

Mr. DEWEY. Their compressor capacity is an unknown factor because they use a different type of compression, a different chemical engineering principle.

Mr. SOURWINE. Do you know what the production from all of these plants was in March?

Mr. DEWEY. As I understand your question, you asked what did Neches A, Neches B, Sinclair, and the Shell plant at Torrence make in these months, is that right?

Mr. SOURWINE. That is right.

Mr. DEWEY. I have got to do a little explaining for you.

Out in Torrence, we have, 12 miles away, a thermal cracking plant, at the Southern California Gas Co. That plant makes butadiene and butylenes. The butadiene and butylenes are sent over in impure form to the Shell plant. The Shell plant performs two functions. It purifies the butadiene from there and it converts the butylenes through the dehydrogenation process like the other plants into the butadiene. As your question was asked, probably the proper way for me to answer is to assume you mean only the butadiene from butylene at Shell.

Mr. SOURWINE. What I am trying to get at is during March and April, how much butadiene from petroleum did you get?

Mr. DEWEY. That is a different question. I thought you were headed toward that. I brought you over here some figures that you might like to have in your record.

The CHAIRMAN. Do you want this to go into the record?

Mr. DEWEY. It is immaterial to me. They have no value for news. I brought you here a table of productions from alcohol and petroleum by months throughout the program.

Mr. SOURWINE. That is fine.

Mr. DEWEY. I would rather submit this to you off the record, if I may.

Mr. SOURWINE. Reserve that point for the moment and hold it for later submission for the record, because we may have some questions about it that you might be able to answer. We do not want to be under the ban of not talking about it at all.

Mr. DEWEY. Now, let me answer the question. You asked it for March and April; is that right?

Mr. SOURWINE. Yes, sir.

Mr. DEWEY. You want it in percentages, I imagine. Sixty-seven percent was from alcohol during March.

Mr. SOURWINE. I was not asking for that at all, sir; I was asking for the amount of butadiene from petroleum that you had received.

Mr. DEWEY. March, 15,850 tons, and April, 17,849 tons.

Mr. SOURWINE. And I presume you expect production this month will be a little higher than it was in April.

Mr. DEWEY. That is right. I think if you take these figures here they may be of interest to you. The highest month, from the standpoint of percentage contribution by alcohol, was last August, when alcohol made 78 percent of the production. It ran in the 70's, high 70's, all the way along. In January, it made 77; in February, 72; in March, 67; and in April 64.

Mr. SOURWINE. Now, sir, what was the production of rubber from alcohol butadiene during the first quarter of this year?

Mr. DEWEY. The production of Buna-S in the first quarter of the year was 145,641 long tons. Now, of course, when we make our butadiene we intermingle it all together, so we do not label a ton of rubber as made from alcohol or from petroleum.

Mr. SOURWINE. Yes, sir. Do you consider it equal in quality?

Mr. DEWEY. The rubber is equal in quality.

The CHAIRMAN. Right at that point, Colonel, just let me interrupt. How does this synthetic in years past in durability? It does not apply to this exhibit, but I would just like to know, if you care to state.

Mr. DEWEY. Well, Senator, you are talking now, I presume, about the Buna-S or GR-S, which is the major part of the program?

The CHAIRMAN. Yes.

Mr. DEWEY. Some of the specialty rubbers are very much better, for the purposes for which they are intended, neoprene, and so forth, but for the general purpose of making tires and all that, you can say today that the passenger-car tire, the small tire, made with Buna-S has, to all intents and purposes, the equivalent of the average former grade passenger-car tire made from crude rubber.

Senator FERGUSON. As the tire increases in size, what happens?

Mr. DEWEY. As the tire goes up in size that condition changes. When you get up to a tire, we will say, 9.00-20, up there somewhere, you head into a situation where, to make a good synthetic rubber tire, you must have rayon cord in parts of that tire, say 30 percent. A 7.50-20, it will be 10 percent; and from there up it will be 30 percent, unless some of the tires are great, big babies where we still cannot get away with less than 50 percent. We will in a short time, but right now there are a few enormous difficulties.

The CHAIRMAN. Yes.

Mr. DEWEY. We can say this, that the military heavy duty, the large tire for the military today made with some crude but mostly synthetic and rayon cord, is the equal in quality of the military tires that we made before the war with all crude rubber, which happened to be made with cotton cord. Experience since the last summer has demonstrated the fact that regardless of what the differences in quality may be when you are using any crude rubber and cotton when you go to synthetics rayon becomes a must. It is the difference in heat, something of that kind.

With that picture before us we then go to our next type of tire, which is the over-the-road, intercity truck and bus tire. There, with your often overloaded tire, your high speed, relatively high speed for long trips upon hot roads, we just have not as yet got a synthetic tire that is the equal of the former tire made with crude rubber. We probably haven't got a tire that is better than two-thirds as good because as your synthetics get hot, very very hot, much hotter than they ever get in a passenger-car tire, their characteristics fall off, they do not stand the abuse when they are hot. That is the reason why, for these great big babies, we still haven't got a tire made of synthetic rubber that compares with crude rubber. Does that answer the question?

The CHAIRMAN. Yes. It is very interesting.

Senator FERGUSON. Now, on these passenger cars, you say the synthetic tire is as good as certain types of crude rubber. Is that because we are only driving at 35 or 40 miles an hour?

Mr. DEWEY. I would like to say this off the record.

The CHAIRMAN. Very well.

(Discussion off the record.)

Senator FERGUSON. Now, comparing our process and our rubber to Russia, are we as good?

Mr. DEWEY. We are way out ahead.

Senator FERGUSON. What about the Germans?

Mr. DEWEY. I am talking now in a field that I am not an expert in. Babcock knows more about it. However, I am pretty good in the field, put it that way. I think may answer to the question is this: From all I know, and from all we know, we think the German Buna S is as good as ours. It is a little different. In some places it may be a little better, I do not know, but in a great many places ours is a little better. But, practically speaking, as far as we know, it is about as good as Buna S. On the other hand, frankly, most of their captured tires have more crude rubber in them than ours. They are not up to us on tire-making techniques.

Senator FERGUSON. In other words, we are out ahead on the tire?

Mr. DEWEY. We are ahead. If you just stop at the Buna S, probably it will be about the same, or probably we are a little ahead of them, but not enough to crow about it.

Senator FERGUSON. Is Japan using any synthetics?

Mr. DEWEY. Not that we know of.

Senator FERGUSON. We haven't at least evidence that they are?

Mr. DEWEY. No.

Mr. SOURWINE. Colonel Dewey, I believe you said that synthetic rubber production, including production both from petroleum butadiene and alcohol butadiene, was 145,641 tons for the first quarter of the year. Is that correct, sir?

Mr. DEWEY. I guess that is all right.

Mr. SOURWINE. No, can you tell us, sir, how much butadiene you have produced from petroleum during the first quarter of the year?

Mr. DEWEY. During the first quarter?

Mr. SOURWINE. Yes, sir.

Mr. DEWEY. The total butadiene during that quarter was 129,144 short tons.

Mr. SOURWINE. We might put a couple of preliminary figures in the record. A gallon of alcohol makes about 2½ pounds of rubber, does it not, sir? To state it another way, it takes from 900 to 910 gallons of alcohol to make a ton of butadiene?

Mr. DEWEY. That is the figure I just gave you. I gave you the real lowdown there. That was on that sheet there.

Mr. SOURWINE. That is right. I am simply trying to summarize it for an average, sir.

Mr. DEWEY. How do you want me to state this thing?

Mr. SOURWINE. I am simply trying to arrive at an average. It takes 900 gallons of alcohol to make a short ton of butadiene. You have figures here ranging from 930 to 834 and you have drawn a line under that and you have a figure of 890. Does that mean the average or the mean?

Mr. DEWEY. That means it is about the figure we are actually realizing today. That is for butadiene.

Mr. SOURWINE. Yes.

Mr. DEWEY. That is the gallons of alcohol to a short ton of butadiene.

Mr. SOURWINE. That is right, 890.

Mr. DEWEY. It takes 91 more gallons to make the styrene there.

Mr. SOURWINE. Yes.

Mr. DEWEY. When you get through mixing them all up together you get this GR-S from alcohol. You find that it takes for a long ton of GR-S about 765 gallons of alcohol, if you use alcohol to make your styrene, or 742 if you use ethylene to make the styrene.

Mr. SOURWINE. I was trying to come out with the figure of 750.

Mr. DEWEY. That is good enough. If you take 750, that is all right.

Mr. SOURWINE. That was preliminary to this other question.

Mr. DEWEY. Yes, I see. You took 2½ to 1, is that the idea?

Mr. SOURWINE. That was it pretty roughly.

Mr. DEWEY. I cannot quite check it in your form.

I think you are right. I do not want to guarantee any lawyer's arithmetic here without having checked it.

Mr. SOURWINE. That is a laudable precaution. Do you have the figure yet on the production of butadiene from petroleum during the first quarter of the year?

Mr. DEWEY. 36,462 short tons.

Mr. SOURWINE. Yes, sir.

Mr. DEWEY. Now, you asked me whether it took about—what was it? Two and one-half? How did you express that? Two and one-half what?

Mr. SOURWINE. We are past that point, sir.

Mr. DEWEY. We will let that one go then without my being committed.

Mr. SOURWINE. It takes approximately 1.2 short tons of butadiene to make a long ton of rubber, partially because you figure the one in short tons of 2,000 pounds and the other in long tons of 2,240 pounds?

Mr. DEWEY. Because you use some styrene, you use some soap, and so on.

Mr. SOURWINE. It is not a direct conversion?

Mr. DEWEY. No.

Mr. SOURWINE. That would mean then that from the petroleum butadiene that you had during the first quarter you could have made approximately 43,754 tons of rubber, does it not, sir?

Mr. DEWEY. Yes.

Mr. SOURWINE. So that you had about 102,000 tons of your production during the quarter to come from alcohol butadiene?

Mr. DEWEY. If that is the way it figures out.

Mr. SOURWINE. That is a subtraction figure.

Mr. DEWEY. About 110,000.

Mr. SOURWINE. You had 145,000 total tonnage and 43,000 to come from petroleum butadiene, so that would leave 102,000, would it not?

Mr. LAVENDER. It is about 129,000 total.

Mr. SOURWINE. What is 129,000 total?

Mr. LAVENDER. All butadiene, I think.

Mr. SOURWINE. I am using the figure that Colonel Dewey just gave us of 145,641 tons of synthetic rubber.

Mr. LAVENDER. Yes.

Mr. SOURWINE. Now, 43,000 tons of that could have been produced from the petroleum butadiene which you made during that quarter?

Mr. LAVENDER. Yes.

Mr. SOURWINE. Leaving about 102,000 tons to be produced from alcohol butadiene?

Mr. LAVENDER. Neglecting inventory changes in butadiene, you see. We have tanks out here. A tank may be a little fuller one month than it is in another month.

Mr. SOURWINE. I can understand that, but you always have those ups and downs.

Mr. LAVENDER. Yes.

Mr. DEWEY. As the production grows the inventories back of them must grow.

Mr. SOURWINE. Oh, yes, and as the production of petroleum butadiene grows the production of alcohol butadiene, you have stated, you hope can be cut. Now, if you had 102,000 tons of rubber made from alcohol butadiene at the rate of 750 gallons of alcohol per ton of rubber, that would be approximately 750,000 gallons of alcohol, would it not, sir?

Mr. DEWEY. Now, wait a minute. If you asked me: "Wouldn't you," I am going to check every figure here.

Mr. LAVENDER. That is 750,000.

Mr. SOURWINE. I neglected the decimal point. That would be 75,000,000, would it not?

Mr. LAVENDER. Yes. You are forgetting the Buna N also which has to come out of this, it also being a butadiene rubber.

Mr. SOURWINE. Perhaps we are getting all tangled up in figures. Let us start in talking without figures.

Mr. DEWEY. I think if you jump the figuring to your end result, we can probably discuss it and get along faster.

Mr. SOURWINE. All right.

Mr. DEWEY. Probably we have been over that ground.

Mr. SOURWINE. Your production from petroleum butadiene took substantially over a quarter of the load away from alcohol during the first quarter of the year, did it not, sir?

Mr. DEWEY. That is right.

Mr. SOURWINE. Now, two plants came in after the first quarter of the year.

Mr. DEWEY. Yes.

Mr. SOURWINE. One of them came in late in the first quarter.

Mr. DEWEY. Yes.

Mr. SOURWINE. So that it seems reasonable to believe that the petroleum butadiene production will take a substantially greater amount of the load off of alcohol during the remainder of the year?

Mr. DEWEY. In our fifth progress report that was all set forth graphically right there, as to the proportion of the load that would be handled by—in the year. That is in exhibit B.

The CHAIRMAN. By alcohol?

Mr. DEWEY. The alcohol is the one at the bottom, the dark part of that curve.

The CHAIRMAN. You started to say, the proportion of the load that would be handled by—and you paused there.

Mr. DEWEY. By petroleum, you see. It goes up all the time. The top bars there are the different types of butadiene from petroleum production.

Mr. SOURWINE. This chart is getting toward what I am working at, sir. I was about to ask you whether, as petroleum butadiene production went up, you were going to cut down on production of alcohol butadiene?

Mr. DEWEY. No; not unless petroleum plants carry more than the load reflected in this chart. It is all that we are carrying as yet in our estimates. To make it carry more than this we have got to obtain from P. A. W. more butylenes than are reflected in here.

Mr. SOURWINE. In other words, you are going to keep on making all the rubber you can make from all the alcohol butadiene and from all the petroleum butadiene you can get?

Mr. DEWEY. No, we are going to make the amount of rubber contemplated in this report. That is not all the rubber we could make. We could make more than is contemplated in this report. I hope to make more than is contemplated here, because this contemplates ending up with too thin an inventory position at the end of the year.

Senator FERGUSON. In rubber?

Mr. DEWEY. In rubber. I do not contemplate making all of the rubber we could make.

Mr. SOURWINE. What is your synthetic rubber stock pile now, Colonel Dewey?

Mr. DEWEY. The total stock pile of all rubbers today is 191,000 tons.

Mr. SOURWINE. How much of that is synthetic? Are you stock-piling synthetic rubber?

Mr. DEWEY. Oh, my, yes.

Mr. SOURWINE. Do you expect to increase the stock pile?

Mr. DEWEY. I think we will find all the answers that you want in here.

Mr. SOURWINE. Colonel, I keep asking questions this way because this chart is not in the record. There is a serious question whether it can be reproduced in the record. All the record can show is the questions and answers.

Mr. DEWEY. All right. Let us go back here to what you have in your record before you, that is, all the members of the Senate and House have it. Exhibit F here shows the following figures: We had at the start of the year a stock pile of 44,000 tons of synthetic, and 147,000 tons of crude, or a total of 191,000 tons. It shows that at the end of the year we estimated that we would have on hand 113,000 tons of synthetic, 55,000 tons of crude, or a total of 168,000 tons. We hope that we will be able to have more than that amount of synthetic.

Before the war it was customary for the rubber industry of this country to carry a great deal more than that total in the form of crude alone, and before the war the country had coming to it afloat on the water some 45 days' of inventory. It had available to it all of the inventories on the docks and in the godowns and warehouses of Malaya, Sumatra, Java, Ceylon, and so forth, and it had back of it in warehouses of London, which was a big warehousing point, more than its total inventory in this country, so there was available ordinarily to the rubber industry of this country, when it was running at about two-thirds of the capacity it will be running or is running now, pretty close to some 2½ times the working inventory that is contemplated here of synthetics and crudes. That shows you how thin the inventory position is and will be. While we are heading here towards an estimated inventory of perhaps only 113,000 tons, that figure should be well in excess of 150,000 tons, to be reasonably safe and have proper inventories for a thousand plants, and all that.

Mr. SOURWINE. You have started to build toward that?

Mr. DEWEY. We have got to build toward that. As our crude comes down, we have to. Today, at the end of 4 months, our inventory of crude and synthetics is exactly the same as it was at the beginning of the year.

Mr. SOURWINE. If you are building a stock pile, Colonel, does that mean that the rate of production currently exceeds the rate of consumption?

Mr. DEWEY. Well, you cannot build a stock pile unless it does.

Mr. SOURWINE. Well, as you are going to have increased production as the year goes along and as these petroleum butadiene plants begin to come out, I mean come out with rubber, that means your excess of production over consumption is going to climb, is it not, sir?

Mr. DEWEY. Your consumption also climbs. As is shown again in exhibit F, the contemplated consumption, called here "requirement," calls for synthetic to be used at the rate of 167,000 tons in the first quarter, 182,000 tons in the second, 209,000 in the third, and 242,000 in the fourth. The crude goes down a little, much more than it ought to. Now, it shows that the supply of synthetic is contemplated to be 167,000 tons in the first quarter, and it was that within a few hundred tons, it was over by about 250, as I remember, 209,000 tons in the second quarter, 230,000 tons in the third quarter, and 257,000 tons in the fourth quarter. They are both going up and using those figures, the stocks of synthetic are contemplated to be about 44,000 at the end of the first quarter, 71,000 at the end of the second quarter, 98,000 at the end of the third quarter, and 113,000 at the end of the

fourth quarter. Those stocks are, frankly, too low, and we have every hope of being able to better them. I hope we will not better them in the only way that we so far have bettered them, which is by not making as much rubber goods as we hoped to make, expected to make and could make but were not able to make because of other factors in the supply of synthetics.

Mr. SOURWINE. You mean you hope soon to be able to free for production a whole line of civilian rubber goods?

Mr. DEWEY. No, no; I hope to be able to meet the demand for military goods which we are not meeting, and I hope to be able to meet somewhere near the proper demand for truck and bus tires and essential driving in this country. We have stated our goal for synthetics, civilian passenger tires, which is a minimum goal of 22,000,000 tires as against the 30,000,000 we thought it should be a year ago. I have no expectation or even faint hope of bettering that 22,000,000. I want a crown if we meet it.

Mr. SOURWINE. I think perhaps you would deserve it, sir. What I am trying to get at is this, sir: As you testified here—

Mr. DEWEY (interposing). Is not basically what you are trying to get at this: Are we going to consume rubber to make nonessential civilian items at the expense of alcohol?

Mr. SOURWINE. I appreciate your help, but I had not reached the conclusion that I wanted to ask the question that you have asked. Will you answer it, sir?

Mr. DEWEY. The answer is we have no such plan.

Mr. SOURWINE. That makes the record on that.

Mr. DEWEY. In saying that, I am not assuming the dribbles of rubber, such as go in the girdles and a few things that we class as essential.

Mr. SOURWINE. The question I was going to ask, sir, is this: In view of your testimony that the cost of rubber produced from alcohol butadiene is something like five times the cost of rubber produced from petroleum butadiene, is not every effort being made to cut back on the use of that high-cost alcohol just as rapidly as we can?

Mr. DEWEY. Yes.

Mr. SOURWINE. Can it be possible, then, that you do not see any possibility of cutting back on your use of alcohol butadiene before the end of 1945?

Mr. DEWEY. Mr. Sourwine, I live in the middle of this thing that you are living in. I live in the thing if only from the cost standpoint alone. Perhaps, for all you know, I like a drink as much as the rest of the fellows, but that has nothing to do with it. I cannot look at those cost figures and not live in the middle of this thing. I would like to try to help you all I can by short circuiting a lot of this and just tell you where it all comes back to.

Mr. SOURWINE. All right.

Mr. DEWEY. It comes back to this: When in a few months our petroleum butadiene plants are in shape so they can run at 135 percent of rated capacity, is there any hope as of that time of our getting the butylene to do it? That ends right back in the lap of the military people who have to determine whether or not they have got to have those butylenes for the war. Now, this problem is a three-sided one, because over here we have this alcohol picture; over here we have the high-octane gasoline, and we sit in the middle and everybody would love to put a squeeze play on us.

The alcohol fellow says, "Give me back the alcohol so I can do something else with it."

The high-octane gasoline fellow says, "Give me back the butylene so I can make more high-octane gasoline."

We sit underneath here and say, "There is so much synthetic rubber we have got to make, and, by God, you are going to give us the raw materials to make it."

Basically your entire argument, as far as the use of alcohol is concerned, comes right down to this: Can that alcohol be spared in view of the fact that if it is used to make butadiene there will be some more butylenes available for high-octane gasoline? You are in that fix and you cannot get out of it. I try to get out of it every day; I think I see a new hole and I start to run out of it, and somebody hits me with an ax. It is a complicated picture.

Senator FERGUSON. Have you an opinion as to whether or not any alcohol can be released from the rubber program?

Mr. DEWEY. What I tried to say was, the answer to that depends on whether the petroleum fellows can, by twists of chemistry and intelligent design, and mistakes in estimates and figures, and so forth, sweat out a few more butylenes. Also the question of how fast you can make plants to make more butylenes, and so forth. It is all a tremendously complicated problem.

Senator FERGUSON. At the present time what is your opinion, from the facts you have?

Mr. DEWEY. In terms of a year and a quarter; yes. In terms of a shorter time, I haven't made up my mind yet.

Senator FERGUSON. But you can see it in a year and a quarter from now?

Mr. DEWEY. Yes.

Mr. SOURWINE. Originally, Colonel, is it not true that the program was to make the petroleum butadiene plants the basis for the synthetic rubber program?

Mr. DEWEY. I do not know anything about what happened before the Baruch Report. I have never read the record and, so help me God, I never intend to.

Mr. SOURWINE. Do you know, sir, whether it was ever contemplated that the alcohol plants which were taken over by the Government as an emergency measure were to continue as the foundation for the rubber program as long as the war lasted?

Mr. DEWEY. Well, I had always taken it for granted that that was the case. I always thought that that was the case.

Mr. SOURWINE. There is no thought in your mind now that the distilleries that used to make beverage alcohol will be allowed to go back to making beverage alcohol as these additional petroleum butadiene plants come into production?

Mr. DEWEY. I do not know anything about that. There is another division between me and the distillery. Dr. Whitman's crew and the food fellows enter in there, and all that. I do not know what will happen there.

Senator FERGUSON. In other words, you do not know what will happen to the alcohol that may be released from the rubber program?

Mr. DEWEY. I have plenty worries without worrying about that one.

Mr. SOURWINE. Colonel Dewey, did your requirements for rubber show a sharp increase in August or September of last year?

Mr. DEWEY. I think it was just about then that they did.

Mr. SOURWINE. And about that time you notified the War Production Board that your estimates were up?

Mr. DEWEY. Yes.

Mr. SOURWINE. You do not know, in view of that fact, why it is that the War Production Board's estimates of your requirements were lower in October of last year than they were in April of last year?

Mr. DEWEY. Requirements for what?

Mr. SOURWINE. Alcohol for the rubber program.

Mr. DEWEY. I do not know what their estimates of our requirements were. I have given you what we have been giving them since we came on the job in late 1942.

Mr. SOURWINE. All right, sir. Colonel Dewey, did you, last August or September, give voice to any opposition to the War Production Board's plan to release some beverage alcohol production?

Mr. DEWEY. Not that I know of. I cannot remember whether I knew about that fact after or before.

Mr. SOURWINE. If you had specifically voiced an objection, you would remember it, would you not, sir?

Mr. DEWEY. No; not at the rate I was going. I would be lucky to remember tomorrow what I voice today.

Mr. SOURWINE. You might have come in and opposed it and not now remember if you did?

Mr. DEWEY. I might not or I might have.

Mr. SOURWINE. So you might have opposed it?

Mr. DEWEY. For all I know. I cannot say that it ever came up, or that anybody ever asked me about it, but it might have been the case. Dr. Whitman has a lot better memory than I, and I would take his say-so on that.

Mr. SOURWINE. Colonel, what is your minimum working stock of alcohol for your rubber plants?

The CHAIRMAN. You mean by that, what does he consider a safe minimum?

Mr. SOURWINE. Yes, sir.

Mr. DEWEY. We have as of today storage at our alcohol plants for the capacity of 41,700,000 gallons. At the end of April we had in storage 32,600,000 gallons. That is about the usual position, where you would expect to find about three-fourths of your inventory capacity being used, when you have a healthy condition.

Mr. SOURWINE. But is there any minimum amount below which you could not go and keep the plants operating?

Mr. DEWEY. It depends upon transportation delays, upon the accuracy of scheduling, whether everybody ships on time, whether the empty tank cars get back on time, whether when they get back they are cleaned properly, a thousand and one things of that kind. We went down in January to 20,000,000 gallons. Somewhere around there is probably the minimum. As a matter of fact, at that time I was roaring like a bull in a china shop. Even with that much inventory, one of the plants was in very bad shape, due to this maldistribution I spoke of. It does not matter much, because our storage is part of Dr. Whitman's over-all storage. I would say, however, if we get somewhat below 25,000,000 gallons, I would probably begin to get nervous and pretty vocal. That would be less than a 30 days' supply, and there are darned few industries in the world that you can run with inventories of less than 30 days.

Mr. SOURWINE. Is butadiene used in the production of high-octane gasoline, or only butylene?

Mr. DEWEY. Butadiene is not used.

Mr. SOURWINE. Can you tell us, Colonel, anything about who is going to run these synthetic butadiene plants after the war?

Mr. DEWEY. Yes, sir.

Mr. SOURWINE. Is there any arrangement, for instance, under which Carbide & Carbon is to buy the Institute plant?

Mr. DEWEY. There is none.

Senator FERGUSON. Is there any post-war program for that, to your knowledge?

Mr. DEWEY. I think I can go further and say there is no post-war program, but I have delved into it enough to say there isn't one today. Senator FERGUSON. As far as these plants are concerned?

Mr. DEWEY. Yes.

Mr. SOURWINE. What can you tell us, sir, about savings anticipated, that is, savings of alcohol, as the result of recovery of ether from butadiene?

Mr. DEWEY. Well, there is a program of savings of that type that is going on. Whether Dr. Whitman is taking those savings in as increased production or decreased consumption, I do not know. I think they are being considered as if they were increased production, which, in a sense, many of them are.

Mr. SOURWINE. What do they amount to, sir, do you know, roughly?

Mr. DEWEY. About 7,000,000 out of 365,000,000.

Senator FERGUSON. What percentage would that be?

Mr. DEWEY. That today is proved. That is partly where I got the year and a quarter figure.

Mr. SOURWINE. If those savings are made, sir, will that reduce the amount of alcohol you are using, or will you still, in spite of that saving, use the alcohol at the rate of a million gallons per day?

Mr. DEWEY. That will decrease the amount we can use without increased production.

Senator FERGUSON. So in a year you would use about 7,000,000 gallons less?

Mr. DEWEY. Yes. I want to put in there, look out, when you use the figure, that Dr. Whitman has not taken it in as increased production in his estimates. I do not know which way he is considering it. It is his problem, not mine.

Senator FERGUSON. But it does exist as a factor?

Mr. DEWEY. Yes.

Senator FERGUSON. So the 5,000,000 that you already save and this 7,000,000 will make 12,000,000 gallons.

Mr. DEWEY. Yes. You understand it will take a year to build those plants, to make these savings.

Senator FERGUSON. It will take a year?

Mr. DEWEY. Yes. They have just been approved, they are just being started. There is a lot of chemistry to be done there to find out what could be done.

Mr. SOURWINE. Colonel, is there any separate stock pile of GR-S now?

Mr. DEWEY. I do not know what you mean by that.

Mr. SOURWINE. Do you have any figure that you consider this is the stock pile of GR-S, or do you just lump it all together?

Mr. DEWEY. In the last few days the manufacture of GR-S has increased. They are always shipping it from the plant to the warehouse, or from the warehouse to the plant that made it, while the chemists are analyzing and checking stock and proving it, and so on, so you will find a certain number of thousand tons there. You will have 15,000 tons all over the lot there. Then there is always a number of thousand stock-piled in transit from the plants to the consuming points, and then your manufacturers have their inventories.

Mr. SOURWINE. Those are all pipe-line figures?

Mr. DEWEY. That is all they are.

Mr. SOURWINE. That is what I was getting at. There isn't anything above the pipe line?

Mr. DEWEY. No, no. We have had a situation in the last few months where fellows hired milk wagons to take GR-S from one factory to another to keep it going.

Mr. SOURWINE. You are not saying you are able to get along without so many tons in April, or 5,000 tons in May and 10,000 tons in June, for instance?

Mr. DEWEY. I should say not. I would like to have 50,000 tons more of working inventory today of GR-S.

Mr. SOURWINE. Are there any differences in the policy of stockpiling this rubber, sir, or is everyone in accord on the necessity for doing it?

Mr. DEWEY. Well, I never heard of anything in the rubber program where everybody was in accord. That is a new idea. I never analyzed that one. The rubber program is everybody's program. I do not believe everybody is in accord on anything we are doing. Basically I think you could say this, that the rubber companies would like to buy the GR-S the day before they use it, so that it does not tie up any money, or any warehouse space. If each one of them had their way, they would have the Government build a warehouse right alongside of the plant and warehouse the rubber, and take it over in a wheelbarrow just 15 minutes before they use it. To that extent there is a great deal of difference of opinion. They carried an inventory before the war, they financed it, and they ought to carry one now.

Mr. SOURWINE. Synthetic rubber keeps well, does it?

Mr. DEWEY. Oh, yes, this rubber will keep for years.

Mr. SOURWINE. Colonel, I have a paragraph here that I should like to read to you and then get your comment on it. I know you may want to comment on it at some length, so I put it that way. (Reading:)

Production of butadiene from alcohol for the calendar year 1944 was scheduled at 351,337 short tons, which, at the conversion rate of 900 gallons of alcohol per short ton of butadiene, would require 316,203,300 gallons of alcohol; adding 10,000,000 gallons of styrene, the total alcohol consumption would not exceed 326,203,300 gallons, against the War Production Board's March 1 estimate of 347,000,000 gallons, a difference of 20,793,000 gallons.

Mr. DEWEY. I do not have to comment very long. Apparently somebody has been playing with figures. It goes on everywhere.

Mr. SOURWINE. Are there any apparent fallacies in that statement, sir?

Mr. DEWEY. There must be some or we could not come out with our estimates.

Mr. SOURWINE. Do you know where the fallacies are, sir?

Mr. DEWEY. No, I do not even know what the memorandum is that you are reading from.

Mr. SOURWINE. Why would you say the memorandum is the result of playing with figures?

Mr. DEWEY. We have got estimating fellows, as you can see, in our place, making estimates that are pretty darned realistic. We hit them pretty close, so close that I sometimes am afraid my luck might change. If I worried about all the other fellows that tried to do our work for us, I would have a pretty big staff over there on our pay roll. I am glad I do not know whom I am talking about. It makes it easier to talk.

Mr. SOURWINE. Mr. Chairman, there are two other paragraphs of this. Perhaps, if the committee approves and if Colonel Dewey is willing, we could furnish this to Colonel Dewey. He could give them to his men and we could then have a memorandum from them pointing out where the fallacies are, and we could put both in the record, and then we could have the picture.

The CHAIRMAN. Very well, you may do that.

Mr. DEWEY. Now, wait a minute, Senator. I have given you all the real figures. Why do I have to go through all of the other figures and pick out miles of these things? The reason I say this is this: We are trying to run an efficient organization, and we are running that with a 40 percent personnel of what we had a year ago. We are driving those folks like nobody's business. I just hate to play with all the small-boy figures around the town. The best indication that those figures are wrong is that we are now using more than he says we use. I have got a lot of data here.

The CHAIRMAN. Let me say to you, Colonel, the counsel for this committee will not use small-boy figures. He considers it serious or he would not put it to you in that way. He is trying to get your estimate as against the statement that has been made public, and I think, in all fairness, it should be worked out. I do not think it will take very long or utilize much of the staff that you have. I think probably you have your figures already compiled, if you have an answer to it. I think the committee would like to have the figures and would be entitled to them.

Mr. DEWEY. Well, you shall get them, sir. I have here some other figures that I brought over for you that may be of interest. They have to do with inventory and storage, alcohol consumed for various purposes, and so forth. We will let you take any figures you want.

The CHAIRMAN. Is there anything else, Colonel Dewey?

Mr. DEWEY. No.

The CHAIRMAN. Is there anything else you have, Counsel?

Mr. SOURWINE. No, Mr. Chairman.

The CHAIRMAN. That is all.

Mr. SOURWINE. I will put this in the form of a letter, Senator.

The CHAIRMAN. Please do so.

Thank you very much, Colonel.

Mr. DEWEY. Fine. Let me see if I have given you everything I brought over that will be of interest.

The CHAIRMAN. Give us everything you have that you haven't given already. We will meet again tomorrow morning at 10 o'clock. (Whereupon, at 11:45 a. m., the committee recessed until the following day, Saturday, May 20, 1944, at 10 a. m.)

LIQUOR INDUSTRY

SATURDAY, MAY 20, 1944

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10:10 a. m., in room 357, Senate Office Building, Senator Pat McCarran (chairman) presiding.

Present: Senators McCarran (chairman) and Ferguson.

The CHAIRMAN. The committee desires to apologize to you who have been called here, for the delay that has been occasioned, and due to the fact that we have a meeting of the Senate at 11 o'clock on an important matter, and other committees have been called for this morning as well, it is impossible for us to go on with the hearing this morning. The meeting will be postponed, and you will be notified at a later date.

We exceedingly regret this, but it is imperative that it be done. (Whereupon, at 10:15 a. m., the committee recessed until a later date to be announced.)

LIQUOR INDUSTRY

WEDNESDAY, MAY 24, 1944

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met, pursuant to call, at 2:15 p. m., in room 318, Senate Office Building, Senator Pat McCarran (chairman) presiding.

Present: Senator McCarran (chairman).

Also present: J. G. Sourwine, committee counsel.

The CHAIRMAN. The hearing will come to order.

I think it may be stated that the questions may be propounded to Mr. Berkshire, but if Mr. Berkshire desires to refer the matter to any of his assistants with him, they may answer.

May we have your respective names and positions for the record?

STATEMENT OF STEWART BERKSHIRE, DEPUTY COMMISSIONER,
BUREAU OF INTERNAL REVENUE

Mr. BERKSHIRE. My name is Stewart Berkshire. With me are William H. Kennedy, Assistant Deputy Commissioner, and Mr. D. E. Avis, also an Assistant Deputy Commissioner.

The CHAIRMAN. Very well, Mr. Sourwine, you may proceed.

Mr. SOURWINE. I might say, Mr. Chairman, we have a stipulation with Mr. Berkshire that we will let him go in time to catch a 4 o'clock train.

The CHAIRMAN. We will try to proceed along those lines.

Mr. SOURWINE. He did not stipulate he will catch the train, but we will let him go in time to do so.

Mr. BERKSHIRE. If we do not, well, then we will go on another train.

Mr. SOURWINE. Mr. Berkshire, it is correct, is it not, that your agency took over a job that had to be done; namely, an attack on the black market in liquor, and has been doing that job?

Mr. BERKSHIRE. Well, we have been contributing something since about last December, Mr. Sourwine.

Mr. SOURWINE. I am not trying to make you brag, Mr. Berkshire, but I think your contribution has been very substantial.

In the doing of that job, sir, is it true that you have learned some things will help you if you continue to do it, which would help you if you had to start to do it again?

Mr. BERKSHIRE. Very much; yes, sir.

Mr. SOURWINE. Mr. Berkshire, is it true that on many occasions agents of the Alcohol Tax Unit find themselves hampered to some degree in their enforcement of internal-revenue laws because of the fact

that serial numbers have been obliterated or removed from cases of distilled spirits?

Mr. BERKSHIRE. We have discovered such cases in connection with this same program you speak of, the black market.

Mr. SOURWINE. Do you know anything about the approximate percentage of black-market cases in which obliteration of case numbers is found?

Mr. BERKSHIRE. No; I could not answer it just that way. We have found a number of such cases.

Mr. SOURWINE. It runs fairly high, doesn't it, sir? I mean, the man who is dealing in illicit whiskey proceeds to eliminate all possible means of tracing back to him, if he can?

Mr. BERKSHIRE. Yes; we have found such cases. I would not say it is high in comparison with the number of cases we have had, but we have found a considerable number.

Mr. SOURWINE. Is it true, or is it not, sir, that your Bureau has cooperated very fully with the committee in an investigation of some of the problems that you have met in this black-market drive that you have carried on?

Mr. BERKSHIRE. We have endeavored to do that; yes, sir.

Mr. SOURWINE. And do you recall, sir, what the percentage was of black-market cases in the Chicago district, where obliterated serial numbers were one of the indices?

Mr. BERKSHIRE. I do not have that figure, Mr. Sourwine. There were cases like that but I never undertook to determine the exact amount in numbers.

Mr. SOURWINE. Is there at present any provision of law or any regulation under which you operate which definitely requires serial numbers to be on cases of liquor when they reach the premises of the wholesale or retail dealer?

Mr. BERKSHIRE. That is true with respect to bottled-in-bond whisky at present; yes, sir.

Mr. SOURWINE. With respect to whisky not bottled in bond; is it true, sir?

Mr. BERKSHIRE. No, sir. There is a regulation requiring it but there is no criminal penalty for the obliteration or removal of the numbers.

Mr. SOURWINE. If there is a number on the case, the man reports it on the form?

Mr. BERKSHIRE. Yes.

Mr. SOURWINE. If there is none, he reports an unnumbered case and there is no penalty involved?

Mr. BERKSHIRE. Yes, sir.

The CHAIRMAN. In what class of liquor?

Mr. BERKSHIRE. Liquor not bottled in bond; liquor tax paid and bottled in tax-paid bottling houses, which would be all blends and whiskies other than bottled in bond.

The CHAIRMAN. But as to whiskies bottled in bond, do we understand the serial number must be on the case or a penalty flows?

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. Is whisky subject to seizure if found in cases from which the number has been obliterated?

Mr. BERKSHIRE. Not with respect to liquors other than bottled in bond.

Mr. SOURWINE. It is with respect to whiskies bottled in bond?

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. If there should be a statutory change, sir, under which you were authorized to issue regulations requiring the same degree of care for preservation of numbers on cases of unbonded whisky as is now required on cases of bonded whisky, would you use that power and issue a regulation?

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. Or would your present regulation cover it if you had the statutory authority for it?

Mr. BERKSHIRE. I think it would cover it if we had the statutory authority.

Mr. SOURWINE. You would find that authority would be a helpful thing?

Mr. BERKSHIRE. We could use it very well, certainly in these cases we have just spoken of.

Mr. SOURWINE. Mr. Berkshire, is it true that persons who receive permits to engage in the sale and distribution of distilled spirits under the Federal Alcoholic Administration Act are not required to renew their permits?

Mr. BERKSHIRE. That is right.

Mr. SOURWINE. In other words, once they have a permit it goes on like Tennyson's brook forever unless it is suspended or revoked under the statute?

Mr. BERKSHIRE. That is right, unless there is some change in control.

Mr. SOURWINE. There is no periodic reexamination of the permittee to see if he is a fit person, that he has been conducting his business properly and all that sort of thing?

Mr. BERKSHIRE. No, sir.

Mr. SOURWINE. If you catch him in a violation, you can go after him?

Mr. BERKSHIRE. You can suspend or revoke under the provisions of the act.

Mr. SOURWINE. Does the fact that those permits are not required to be periodically renewed in any way hamper the effective regulation of the liquor industry? I mean insofar as you are required to regulate it to administer the act.

Mr. BERKSHIRE. I do not think so, unless you have in mind the fact that where we find a permittee in violation of the law we must cite him for a first violation, suspend and then we must have a second violation before we can revoke and get him out of business, and with the appeals that may follow he might continue in business for a considerable length of time. I think that is what you have in mind.

Mr. SOURWINE. In some cases it has run as high as 2 years?

Mr. BERKSHIRE. Yes.

Mr. SOURWINE. A case in litigation?

Mr. BERKSHIRE. Yes.

Mr. SOURWINE. If there was a man you were trying to get out of business whom you knew should not be in the business and you were doing everything you could, your hands would be tied by the slowness of the process that had to be gone through?

Mr. BERKSHIRE. That is right.

Mr. SOURWINE. If these basic permits were made annually renewable, Mr. Berkshire, you would be in a position to hold up any renewal, or request for renewal, until you were satisfied that the permittee was fulfilling all the requirements of the act; would you not?

Mr. BERKSHIRE. If the law was so drawn?

Mr. SOURWINE. Yes, sir.

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. Would you care to express an opinion upon the psychological effect that would have upon the permittee, I mean knowing that his case was going to come up for annual review? Would a permittee be much more careful in his observation than he is now, or less so, or would it make no difference?

Mr. BERKSHIRE. Most likely it would, I should think.

Mr. SOURWINE. If he knew you fellows were going to look down his throat 6 months from now, 10 months from now, he would be pretty careful what he did in the meantime, wouldn't he?

Mr. BERKSHIRE. I should think that would be the tendency; yes, sir.

Mr. SOURWINE. You mentioned first violations, Mr. Berkshire. I just want to get that point clear. You cannot revoke a permit now for a first violation; is that right?

Mr. BERKSHIRE. Under the present F. A. A. Act.

Mr. SOURWINE. No matter how serious the violation is, if it is the first one you cannot do that?

Mr. BERKSHIRE. That is right.

Mr. SOURWINE. You have to wait and catch him again?

Mr. BERKSHIRE. That is right.

Mr. SOURWINE. Can you suspend for a first violation?

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. What is the maximum suspension period for a first violation, sir?

Mr. BERKSHIRE. I do not think there is any.

Mr. SOURWINE. Do you recall the longest suspension you have ever put on or recently put on?

Mr. BERKSHIRE. Six months.

Mr. SOURWINE. If you tried to suspend indefinitely, the man might contend that was tantamount—

Mr. BERKSHIRE (interposing). Tantamount to a revocation. That is what we have in mind when we place these suspension orders on, that we will not in fact be revoking.

Mr. SOURWINE. It would strengthen your hands, would it not, if you had the power to revoke for a first violation, if it were a serious violation?

Mr. BERKSHIRE. It would, certainly. If certain types of violations arose it should be revoked for the first offense.

Mr. SOURWINE. That is a matter, of course, which should be discretionary within certain limits by the administrative agency, meaning yourself, as to the seriousness of the violation?

Mr. BERKSHIRE. I think so.

Mr. SOURWINE. Mr. Berkshire, you spoke of the possibility of taking as long as 2 years in some cases for a review of your order of revocation or suspension. All that time the permittee is allowed to remain in business, isn't he, sir?

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. If he is operating in the black market he continues to operate in the black market?

Mr. BERKSHIRE. He might.

Mr. SOURWINE. Of course, he would not if you can stop it.

Mr. BERKSHIRE. That is right, that is the answer.

Mr. SOURWINE. But while his appeal to the Federal court is being adjudicated, he is in business?

Mr. BERKSHIRE. He is in business.

Mr. SOURWINE. He is in business and there is nothing you can do that would stop him under the existing law?

Mr. BERKSHIRE. That is right.

The CHAIRMAN. Let me ask a question there.

Where does this liquor for the black market come from?

Mr. BERKSHIRE. The liquor that is in the black market, sir?

The CHAIRMAN. Yes.

Mr. BERKSHIRE. Well, it is all over. It is liquor that a great deal of it was owned through warehouse receipts by various dealers, rectifiers, who have since and during this emergency withdrawn and have rectified it, blended it, bottled it. It is tax-paid liquor.

The CHAIRMAN. It is tax-paid liquor?

Mr. BERKSHIRE. It is tax-paid liquor but sold to the dealers at prices beyond the ceiling price.

The CHAIRMAN. It is not what we commonly understand to be bootleg liquor?

Mr. BERKSHIRE. It is not bootleg liquor or what we understand to be bootleg liquor produced in illicit stills un-tax-paid.

The CHAIRMAN. There is some of that liquor now, is there not?

Mr. BERKSHIRE. Bootleg spirits; there is some.

The CHAIRMAN. My information, and I would like to know if this is confirmed by your observation or study, is that bootleg liquor is increasing in its presence throughout the country.

Mr. BERKSHIRE. That is not our experience, Senator. I think it has increased within the last 5 or 6 months over a like period early in last year, when it was certainly the lowest that it ever has been since repeal. The fact that there has been a slight increase within the last few months is not disturbing because it is still at a very low level. I might say that is due largely to a lack of necessary materials and equipment to produce illicit spirits.

The CHAIRMAN. Not long ago there appeared a picture in one of the local papers—I believe it was one of the local papers—a still being demolished by revenue people or by those in your department. It was rather a crudely made still, as I recall looking at the picture.

As the tax-paid liquor becomes scarcer and as the demand for liquor becomes greater, will there not be, based on your judgment and observation, a greater production of illicit liquor?

Mr. BERKSHIRE. Certainly that would be true, Senator, but I think that would depend almost entirely on the availability of materials and that, of course, is largely sugar or sirup.

Mr. SOURWINE. The bootlegger cannot go to the W. P. B. and get a priority.

Mr. BERKSHIRE. They get it sometimes.

The CHAIRMAN. They get it just the same.

Mr. BERKSHIRE. They get it just the same.

The CHAIRMAN. They will get molasses the same and brown sugar the same way.

Mr. SOURWINE. Mr. Berkshire, what court does the permittee have recourse to if he wants to appeal from an order of revocation?

Mr. BERKSHIRE. Circuit court of appeals.

Mr. SOURWINE. You think it perhaps a reasonable view that that fact contributes considerably to the delays and the possible delays in getting a judicial determination of these cases?

Mr. BERKSHIRE. Probably so; yes.

Mr. SOURWINE. If he had the right to go into the Federal district court, there would not be such a long delay, in all probability; is that right?

Mr. BERKSHIRE. There should not.

Mr. SOURWINE. There should not?

Mr. BERKSHIRE. That is right.

Mr. SOURWINE. By the same token, sir, if there were to be a provision for annual renewal of these licenses so that a suspension order might last for a substantial portion of the license period, it would not only be an aid to you in expediting things but a matter of comity and fairness to the permittee to give him a forum in which he could get a speedy review, would it not?

Mr. BERKSHIRE. Yes, sir; I think that is correct.

Mr. SOURWINE. Can you tell us, Mr. Berkshire, do you have the authority to suspend or revoke a permit for violation of the Emergency Price Control Act?

Mr. BERKSHIRE. We think so.

Mr. SOURWINE. You are proceeding on that basis?

Mr. BERKSHIRE. We are proceeding on that theory, yes; and our lawyers have held that we do have.

Mr. SOURWINE. There is no specific statutory provision to that effect at the present time, is there, sir?

Mr. BERKSHIRE. Well, unless it comes within the provisions of the act, which authorizes suspension or revocation of a permit for violation of a law relating to liquor, and we think it does.

Mr. SOURWINE. Your position is that it does?

Mr. BERKSHIRE. It does.

Mr. SOURWINE. I certainly do not propose to challenge that here. I simply mean to bring out that that is a matter of construction, there is no specific provision for that.

Mr. BERKSHIRE. No, sir; other than that.

Mr. SOURWINE. I take it that since you are so construing the provisions under which you operate, you would be in full accord with a specific provision of law along that line?

Mr. BERKSHIRE. Certainly.

Mr. SOURWINE. Summarizing just a little bit, then, Mr. Berkshire, you would be in favor of legislation which would permit issuance by the Internal Revenue Bureau of regulations forbidding the obliteration of serial numbers on whiskey cases containing nonbonded liquor?

Mr. BERKSHIRE. Yes, sir; and making that liquor forfeitable.

Mr. SOURWINE. Making it forfeitable to the Government?

Mr. BERKSHIRE. That is right.

Mr. SOURWINE. That would have a value in increasing the risk of the man who was transporting that liquor, wouldn't it?

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. It would be subject to seizure wherever found?

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. At the present time I suppose if that man has, perhaps, a forged consignment paper which on its face appears good, he might get away with it?

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. You would then favor, sir, expansion of the authority of the Internal Revenue Bureau to permit revocation of a permit for a first violation?

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. You would favor necessary changes of law to make it required that these basic permits under the Federal Alcohol Act be renewed annually?

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. You would favor giving an opportunity for appeal to the Federal district court in the first instance rather than to the circuit court of appeals?

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. You would favor specific language permitting suspension or revocation for violation of Federal laws such as the Price Control Act?

Mr. BERKSHIRE. Yes, sir.

Mr. SOURWINE. Would you also favor, sir, authority to suspend or revoke a basic permit for failure to conduct operations under that permit in conformity with State law?

Mr. BERKSHIRE. I do not think it is necessary. We would not issue a permit now if we knew they were going to violate a State law. But, whether we would want to cite a permittee for violation of local law, I rather doubt it.

Mr. SOURWINE. Your permits at the present time do require conformance with the State laws?

Mr. BERKSHIRE. That is right.

Mr. SOURWINE. Is that backed by any statutory authority?

Mr. BERKSHIRE. I am not certain about that. I think it is under the general authority. I would want to look that up.

Mr. SOURWINE. Have you ever suspended or revoked a permit for violation of that provision in the permit?

Mr. BERKSHIRE. No, sir.

Mr. SOURWINE. Do you recall any cases where you ever wanted to? Mr. BERKSHIRE. I do not know that I do. We do not endeavor to enforce the State laws.

While we would not issue a permit if we knew the issuance of the permit meant a violation of State law, once having issued it and we heard some fellow was selling whisky on Sunday, or what have you, whatever the violation was, I do not think we would feel it was our business to step in and take action.

Mr. SOURWINE. Mr. Berkshire, I used in that original question what was intended to be careful language. I spoke of revoking a license for failure to conduct the business in conformity or in accordance with State law, rather than for violation of State law. That is, there might be numerous violations of State law that would not subject a permit under reasonable construction to either suspension or revocation. But the question concerns the conduct of the business, that is, the whisky business, whether in the whisky business he

violated State laws, that is, violated the State whisky laws, not Sunday closing laws, which would be general.

Mr. BERKSHIRE. That was merely an illustration to cover all sorts of provisions. I would rather think that one over a bit, I believe.

Mr. SOURWINE. It might be something for reference to your legal division.

Mr. BERKSHIRE. Yes; I would rather not express myself now on it.

Mr. SOURWINE. I have no further questions of Mr. Berkshire.

The CHAIRMAN. Very well.

Mr. SOURWINE. I have a statement I should like to make for the record.

The CHAIRMAN. In his presence?

Mr. SOURWINE. Yes.

Mr. BERKSHIRE. I should like to say this, that these are my reactions to these various things and not that of either the Bureau or the Treasury Department.

Mr. SOURWINE. I think it is clearly understood, Mr. Berkshire, the committee has called you here and asked you questions and you are not to be charged with proposing anything.

Mr. BERKSHIRE. That is right, and I am not saying this would be the ultimate decision of the Treasury Department, but it is likely to be, I feel.

Mr. SOURWINE. The committee has been shooting at a rounded program to do something about the black market situation and about the control and enforcement problem which is obviously very severe throughout the country, particularly in the so-called monopoly States.

There were three prongs to the committee's efforts in that regard; one, to attempt to determine whether there was justification for a release of beverage alcohol at this time or in the near future, either by release of the alcohol itself from the Government stock pile or by permitting beverage distillers to make a certain amount or a certain percentage of their total production for beverage purposes.

The second prong of the program was the question of possible tightening of the laws so as to put additional weapons into the hands of those who are enforcing the laws.

The third prong, of necessity, is some provision for a more equitable distribution or allocation of the available supply of alcoholic beverages, whether it is to be the supply presently available or an increased supply to be made available in the future.

In that regard and after a review of the existing statutes, the committee counsel came to the opinion that under title III of the Second War Powers Act, the President could order the War Food Administrator to allocate the available supply of beverage alcohol since he had defined alcoholic beverages as food in Executive Order 9280.

Several conferences have been held with officials of the War Food Administration and Mr. Grover B. Hill, Assistant Administrator, has agreed to furnish the committee with a memorandum stating his position on this point. I have the memorandum, Mr. Chairman, and I should like to offer it for the record, and if you approve I shall read it.

The CHAIRMAN. You might read it.

Mr. SOURWINE. I might say parenthetically, Mr. Chairman, that Mr. Hill has advised the committee that this statement presents his views fully; that he has no desire to hedge from it, retract from it, or

add to it in any way and that he saw no reason for coming down here and reading it. [Reading:]

STATEMENT OF GROVER B. HILL WITH REGARD TO THE POWER OF THE WAR FOOD ADMINISTRATOR TO ALLOCATE ALCOHOLIC BEVERAGES

I have been requested by your committee to discuss briefly the power of the War Food Administrator to issue an order allocating the available supply of alcoholic beverages, including whisky. As will appear in greater detail in the latter portion of this statement, the Administrator would probably have power, if the requisite findings can be made, to issue such an order although its administration would encounter many practical difficulties. In the event that it is determined to issue such allocation order, a further question arises as to the Government agency in which should be vested the authority to administer and enforce the order.

The authority of the War Food Administrator to exercise the allocation power is derived from title III of the Second War Powers Act, 1942. The relevant provision in that statute is as follows:

"Whenever the President is satisfied that the fulfillment of requirements for the defense of the United States will result in a shortage in the supply of any material or of any facilities for defense or for private account or for export, the President may allocate such material or facilities in such manner, upon such conditions, and to such extent as he shall deem necessary or appropriate in the public interest and to promote the national defense."

Insofar as food and food facilities are concerned, the President delegated the allocation powers to the Secretary of Agriculture and later to the War Food Administrator by Executive Orders 9280, 9322, 9334, and 9392 (7 F. R. 10179; 8 F. R. 3307, 5423, and 14783). It seems clear from the definition of food in Executive Order 9280 that alcoholic beverages intended for human consumption are foods and hence subject to the jurisdiction of the War Food Administrator, although the Executive order also provides in effect that commodities and products may be excluded from the term upon his determination. This being true, if the War Food Administrator determines that the requisite shortage exists or will exist with regard to the supply of alcoholic beverages for defense, for private account, or for export, and if he has not determined to exclude alcoholic beverages from the definition of "food," he may issue an order of allocation with respect to alcoholic beverages. But any such allocation order may, under the limitation set forth in the Second War Powers Act, 1942, contain only such regulation or allocation as the War Food Administrator determines to be necessary or appropriate in the public interest and to promote the national defense.

In addition to the necessity for determining that any such regulation or allocation can be made effective only in the event it is necessary or appropriate in the public interest and to promote the national defense, certain limitations upon the allocation power should be borne in mind. To begin with, the War Food Administrator has consistently taken the position that the powers contained in title III of the Second War Powers Act, 1942, are not sufficient to enable him directly to force or require the sale or distribution of any commodity. He may, however, take the position that if a particular commodity is used, sold, or otherwise transferred, the conditions specified in the allocation order must be observed. Thus, although the War Food Administrator probably could not require the holders of alcoholic beverages to release them for sale, he could require that if such beverages are sold or otherwise distributed, the distribution must be in accordance with the plan, set forth in the order, designed to result in a fair or equitable distribution of the scarce commodity.

Paragraph 4 of Executive Order 9280 provides in substance that rationing of a scarce commodity at the consumer level is to be carried on by the Office of Price Administration acting at the direction of the War Food Administration. Therefore, if civilian rationing is contemplated, it would be necessary for the Office of Price Administration actually to conduct the rationing in accordance with directives issued by the War Food Administration.

The twenty-first amendment to the Constitution of the United States prohibits the transportation or importation of intoxicating liquors into any State, Territory, or possession of the United States for delivery or use therein in violation of the laws thereof. Consequently, any allocation order issued by the War Food Administration would have to be consistent with the laws of the States. Thus, the allocation order would be inoperative in dry States, and in States operating a system of State control the order could not interfere with that system.

Even though the War Food Administrator may have jurisdiction to allocate alcoholic beverages, no attempt has been made to issue an allocation order with respect to alcoholic beverages. Allocation quotas for brewers are established pursuant to Food Distribution Order No. 46, as amended, with regard to malt, rice, and hops, but the beer and ale produced by the brewers are not allocated with respect to the distribution thereof. Other allocation orders may affect, directly or indirectly, the amount of other materials which can be used by brewers. The War Production Board regulates to some extent the facilities which may be used for the manufacture of distilled liquors for beverage purposes. If an allocation order with respect to alcoholic beverages, in general, is to be made effective by the War Food Administrator, it appears that wholesale distributors, totaling approximately 20,000, and retailers, numbering approximately 400,000, will be regulated by the order. The task of administering and enforcing an order of such magnitude and scope will necessarily call for a large number of employees with aptitude and experience in such line of work. The War Food Administration does not have the experienced or qualified personnel necessary to enable it to administer effectively and enforce properly an allocation order dealing with alcoholic beverages of this character. Furthermore, the War Food Administration operates on a budget which is not more than sufficient for its present needs. The War Food Administration is charged with the duty and is presently discharging the responsibility of allocating food commodities of vital importance in carrying on the war and in maintaining proper food distribution for the civilian population. The War Food Administration is confronted with a manpower shortage of increasing severity. Under these circumstances, the use of men and money to administer an order with regard to alcoholic beverages would be highly questionable.

The attention of the committee is directed to the fact that the Federal Alcoholic Administration Act (27 U. S. C., 1940 ed., 202 ff.) provides for rather broad control over the liquor industry. The statute includes provisions with regard to licensing and prohibiting numerous unfair trade practices relative to consignment sales, misleading labels, and deceptive advertising. The statute originally created the Federal Alcohol Administration; however, by Reorganization Plan No. 3 (5 F. R. 2108), effective June 30, 1940, the Federal Alcohol Administration was abolished and its functions, records, property, personnel, and funds were transferred to the Secretary of the Treasury to be administered through the Bureau of Internal Revenue. In the event that it becomes necessary for the War Food Administrator to issue an allocation order governing the distribution or disposition of alcoholic beverages, it would seem to be appropriate to consider the desirability of delegating to the Bureau of Internal Revenue the administration and enforcement of such order. In view of the experience of the Bureau of Internal Revenue in regulating, in some respects, the liquor industry and the possession by such Bureau of trained, qualified, and experienced personnel, it would seem that the Bureau of Internal Revenue may be able to exercise, in a more efficient and effective manner, the necessary regulatory powers with regard to such allocation program.

That is the end of the memorandum, Mr. Chairman.

I thought Mr. Berkshire should hear it because the last part of it refers to his agency.

THE CHAIRMAN. Mr. Berkshire, there are just one or two questions I want to ask you to clear up some matters in my own mind.

Does your Bureau know the amount of liquor that is in storage in this country?

MR. BERKSHIRE. Yes, sir.

THE CHAIRMAN. About how long, estimating on the basis of the average consumption that took place a year previous to the war, would that liquor last if it is released?

MR. BERKSHIRE. To the extent of the present demand? Do you want that equal to the demand of the year previous?

THE CHAIRMAN. Yes.

MR. BERKSHIRE. That would go in the neighborhood of 150,000 gallons a year and it would last in the neighborhood of, roughly, 2 years.

THE CHAIRMAN. That is the amount of liquor now in storage? If it were let out at the rate it was called for during the last year of peace, it would last about 2 years?

MR. BERKSHIRE. That is approximately correct.

THE CHAIRMAN. We are looking for an approximation.

If that liquor is not released and demand prevails as it does now, and the liquor is released in very small quantities, what will be the eventual result?

In other words, let us say the liquor is not getting out to where the demand is.

MR. BERKSHIRE. We will continue the same shortage we experience today. Instead of releasing it at the old 100 percent rate, it has been allocated by the producers themselves, who are now withdrawing taxpaying and selling to the consuming public in the neighborhood of 55 or 60 percent of normal. Thus, we would continue under the present plan to withdraw and tax-pay at the rate of 55 or 60 percent. I assume as long as the whisky lasts at that rate and the same condition prevails, that will be the situation until we get relief.

THE CHAIRMAN. As the quantity that is released becomes less, will not in your judgment the incentive for illicit production become greater?

Let us base it on our experience under the eighteenth amendment, when we had enforcement and there was a constitutional amendment making the country dry.

MR. BERKSHIRE. My answer would be "yes," the incentive would become greater but I would like to qualify that with this statement. I feel the incentive has been so great during the last year or two, to produce non-tax-paid liquor when they could get the material from which they could produce it, that a little additional incentive has very little bearing on the subject, Senator, if I make myself clear.

THE CHAIRMAN. However, I do not know whether you know this, but reports come to the committee from what we think is a fairly good source, that there has been a large increase of illicit production of liquor.

MR. BERKSHIRE. Senator, that is not correct, definitely and positively, no.

THE CHAIRMAN. I have heard you make that statement before, down at the Treasury.

MR. BERKSHIRE. I think we know what we are talking about.

THE CHAIRMAN. I hope you do, but I am still curious about it.

MR. BERKSHIRE. We continue to seize stills daily in a reduced number. They are very crude sorts of outfits, such as the one you described seeing in the paper. We think we have a pretty good idea of what is going on. There is illicit production, there will always be. But, we do think today they are operating at a minimum.

MR. SOWRINE. You think the incentive, Mr. Berkshire, is as high now for illicit production as it was during prohibition?

MR. BERKSHIRE. Yes, I do, it is as high as it could be. I do not think you could create any additional incentive or appeal, any greater than it is today.

MR. SOWRINE. The two things keeping that illicit production down are, one, shortage of materials, and, two, the activities of your Department?

MR. BERKSHIRE. Yes, sir; that is right.

The CHAIRMAN. Let us put it this way and let us see if we can get at something else now.

Have you increased your staff in the field to curb illicit production?

Mr. BERKSHIRE. No; we have reduced it because of the emergency and because of the fact that our boys have been going into the Army and Navy.

The CHAIRMAN. You think the incentive today is as great as it was when the law prohibited any liquor from being in existence for sale?

Mr. BERKSHIRE. The incentive is created by the amount of money a bootlegger can get for his product and it is higher than it was under prohibition, Senator, considerably. That is your answer, I think.

Mr. SOURWINE. Would you care, Mr. Berkshire, to comment at all on Mr. Hill's statement?

Mr. BERKSHIRE. I think I would like to write a letter of my own on that.

On the question of the availability of manpower, what Mr. Hill says certainly applies to the Bureau of Internal Revenue.

The CHAIRMAN. That is all for today. Thank you very much.

(Whereupon, at 2:55 p. m., the committee adjourned.)

APPENDIX

CANE SPIRITS IMPORT QUOTA

WAR PRODUCTION BOARD,
Washington, D. C., May 18, 1944.

Hon. PAT MCCARRAN,
Chairman, Senate Committee on the Judiciary,
Washington, D. C.

DEAR SENATOR MCCARRAN: At the hearings held before your committee on May 5, you requested us to supply data pertaining to the recent promulgation of orders by the War Production Board on the importation from Cuba during 1944 of alcoholic beverages or spirits made from cane.

During 1942 and early 1943 the submarine menace and a shortage of tankers sharply restricted our ability to move Caribbean molasses to this country to provide the normal raw material used by the eastern and southern industrial-alcohol plants. As a result, increased usage of grains in the alcohol program became necessary. By mid-1943 serious concern was expressed by the War Food Administration and others as to the adequacy of our grain supplies to meet the demands of the alcohol and other essential programs requiring grains. At the same time the tanker prospects were showing signs of improvement and, accordingly, a reinvestigation was made of the possibilities of moving more molasses from the Caribbean (Cuba being the principal producer). Thereafter, we requested the Foreign Economic Administration to secure as much molasses from Cuba as possible in order that an adequate supply of raw materials for the industrial-alcohol program might be assured.

Based on its experience and knowledge of developments in Cuba, the Foreign Economic Administration concluded that price alone would not enable this country to secure the quantities of molasses or alcohol desired. Accordingly, they requested that assurances be given of our willingness to adopt some measure of import control over the amount of beverage alcohol that could be imported from Cuba. In order to secure the molasses and alcohol we urgently needed for our war program, the War Production Board accepted the representations of the War Food Administration and the Foreign Economic Administration and agreed to institute a control measure on the amount of alcoholic beverages or spirits made in Cuba from cane that could be imported into the United States during 1944.

The negotiations with Cuba were concluded, the import control order has been put into effect, and we are receiving shipments of the molasses required for the industrial-alcohol program.

I attach hereto for the committee's confidential information copies of the applicable communications between the War Production Board and the other agencies concerned with this matter. If there is any further data you require from us, we will be glad to supply it.

Sincerely,

DONALD M. NELSON, Chairman.

FOREIGN ECONOMIC ADMINISTRATION,
Washington, D. C., December 16, 1943.

Mr. DONALD M. NELSON,
Chairman, War Production Board,
Washington, D. C.

DEAR Mr. NELSON: The War Production Board, in recognition of the necessity for increasing the supply of industrial alcohol, has requested the Foreign Economic Administration to purchase molasses from Cuba. Information at hand indicates that although the production of industrial alcohol in the United States has nearly doubled in the last 2 years, the consumption in 1944 is likely to exceed production

¹ All data here submitted subsequently was cleared for publication in these hearings.

by about 27,000,000 gallons, so that by the end of the year, the reserve supply may not exceed 1 month's production. As you are aware, this situation has been brought about by the greatly increased consumption of alcohol in the rubber program.

The demands upon the domestic supply of grain for alcohol is increasingly becoming a matter of concern in all Government agencies. In view of the tremendous quantities of grain that will be required both for human and animal consumption as the war progresses and new areas are liberated, it is imperative that the industrial use of grain be minimized.

The action of this country in curtailing the production of beverage alcohol has had the unfortunate effect of inviting beverage alcohol from Caribbean and Mexican sources. During the past 10 months, the production of beverage alcohol in Cuba from molasses for export to the United States has increased nearly one hundred fold. Thus, much of the important source materials relied upon by the War Production Board for use in eastern distilleries for industrial alcohol production have been diverted by the Cubans for beverage purposes, which defeats the purpose of converting our distilleries from the production of beverage to industrial alcohol.

The price the Cubans are receiving for beverage alcohol is the equivalent of about 60 cents per gallon for blackstrap molasses, or approximately four times the equivalent sugar price of 13.6 cents per gallon. An offer of the equivalent sugar price alone obviously will not enable us to purchase blackstrap molasses.

On the other hand, an offer of the equivalent beverage-alcohol price for invert molasses would require our paying nearly \$1.50 per gallon for the basic materials, wherein the domestic ceiling price is only 48 cents per gallon.

It is furthermore apparent that the Cubans have recently developed sufficient distilling capacity to absorb all of their available molasses and are looking toward this as a permanent export industry.

The conclusion is forced that considerations of price alone will not enable us to purchase molasses or alcohol.

Since all interested parties in the United States agree upon the paramount necessity of increasing the production of industrial alcohol, it is incumbent upon all parties to adopt measures which will make this possible. On the other hand, the prices paid for beverage alcohol tend further to increase the distress of inflation in Cuba, and it is likely that the Cuban Government would be desirous of cooperating with us in the interest of the war effort.

The Foreign Economic Administration has recently adopted measures curtailing temporarily the export to Cuba of materials needed for the production of beverage alcohol. Shipping authorities are willing to cooperate, but since most of the beverage alcohol has been coming in small schooners, the problem is beyond their jurisdiction.

We are faced with the necessity for some form of control over the importation of beverage alcohol. The War Production Board has the power to institute control measures.

We are satisfied that it will be impossible to procure molasses as directed, unless assurance is given of your willingness to adopt some measure of import control. While you are aware of the difficulties inherent in the enforcement of any control upon the imports of liquor, we believe that the exigencies of the war effort require such control.

We expect to discuss with the Cubans the desirability of control measures in both countries. It is our hope that they will agree to it, either as complementary to such control as they might adopt in Cuba, or as a temporary measure until such time as they can control production and exportation.

I am sure that the Cubans realize that we have a common problem, and will be willing to negotiate a fair formula, providing for a fixed relation between the amount of industrial alcohol or molasses and beverage alcohol to be exported to the United States.

In view of the fact that negotiations for the purchase of molasses are likely to begin with the Cubans this week, it is essential that a conclusion be promptly reached to adopt adequate import-control measures.

Sincerely yours,

LEO T. GROWLEY, *Administrator.*

DECEMBER 21, 1943.

Mr. LEO T. CROWLEY,
Administrator, Foreign Economic Administration,
Washington, D. C.

DEAR MR. CROWLEY: This is in reference to your letter of December 16, stating that "we are faced with the necessity for some form of control over the importation of beverage alcohol. The War Production Board has the power to institute control measures."

I am enclosing a copy of my letter to Mr. Marvin Jones on this same subject, indicating the willingness of the War Production Board to institute control measures on the importation of beverage alcohol from the regions where its production jeopardizes the possibility of procuring sufficient molasses for the alcohol program.

As you know, the War Production Board is extremely reluctant to undertake a control measure of this kind about whose enforcement difficulties we are under no delusion. It is only on the representations made to us unanimously by the War Department, the Foreign Economic Administration, and the State Department that we have expressed a willingness to undertake this step.

It is our hope that the assurance that we are prepared to undertake this step will make it actually unnecessary to invoke it, and will bring the Cuban negotiators to a realization of the necessity of furnishing sufficient invert and blackstrap molasses to meet the demands of our war program, particularly to meet the increased use of alcohol in the rubber program.

(NOTE.—At the request of the State Department the concluding paragraph, which does not pertain to the beverage-import control order, has been deleted from this copy.)

Sincerely,

DONALD M. NELSON, *Chairman.*

DECEMBER 21, 1943.

Mr. MARVIN JONES,
Administrator, War Food Administration,
Washington, D. C.

DEAR MR. JONES: This will refer to your letter of December 13, stating the difficulties of the War Food Administration in providing raw materials for the 1944 alcohol program. You suggest that the War Production Board should consider the production of industrial alcohol from nonfood sources, and that we should re-examine all the requirements for alcohol, including those for the rubber program.

The representatives of the War Production Board who have been in touch with your representatives have brought to my attention the difficulties of negotiating with the Cuban Government for invert and blackstrap molasses for the alcohol program. We have been extremely reluctant to "limit the importation of gin and rum" as were your own representatives also in the earlier stages of this problem. On the other hand, the War Production Board is prepared to issue a control order on the importation of gin and rum through the Chemicals Division, rather than a control order under the guise of shipping limitations, if this will facilitate the procurement negotiations. The State Department and the Foreign Economic Administration have placed squarely before us the necessity for this step on behalf of the alcohol program.

Since, however, this is an extremely painful undertaking and will involve serious enforcement difficulties, I want it distinctly understood that I am undertaking it because you have represented to me that the critical grain shortage in the United States makes necessary a limitation on the imports of gin and rum in order to obtain the maximum supplies of invert and blackstrap molasses for alcohol. I am glad to have your support that "it may be necessary to limit the importation of gin and rum" and that "if aggressive steps are taken to obtain available supplies of blackstrap molasses in the Caribbean area, it might be possible to obtain as much as 250,000,000 gallons."

It is true as you suggest that the alcohol requirements have increased. This is because the petroleum derivatives on which a large part of the rubber program was originally based have fallen seriously behind expectations because of the competition of the high-octane program for the same raw materials. Had the War Production Board not taken steps to produce the alcohol from other sources—namely, grain and/or molasses, the position of the rubber program would be truly desperate. The Rubber Director is counting on pushing the facilities for alcohol up to 150 to 175 percent of their rated capacity. In short, that part of

the rubber raw material program which was counted upon to supply less than one-third must now be counted upon to supply two-thirds to three-fourths of the whole burden through 1944. The present rate of alcohol consumption by the rubber program is about 300,000 gallons per year and is expected to increase to 325,000,000 gallons for 1944.

I do not think it is appropriate to rate the sugar for alcohol against the sugar for industrial food consumption which goes in large part to soft drinks, confectionery and other luxury foods. It is, however, entirely a matter of choice for the War Food Administration to decide whether to furnish grain, with its long run effects on the meat program, or sugar for invert molasses for the alcohol program. Our own preference, of course, is for molasses because it is the most efficient of the alcohol raw materials.

We are reviewing the entire alcohol program with an eye to eliminating any nonessential uses which can be screened from existing requirements. The War Production Board has been, and will continue to be, rigid in its allocation policy. In the uses to which alcohol has been put the policy compares favorably, to say the least, to the uses to which large tonnages of sugar have been permitted.

In connection with the alternatives which are confronting the War Food Administration, as indicated in the last paragraph of your letter, it is not the War Production Board's function to choose between point 1, curtailment of the sugar available for industrial or direct consumer consumption, or both, and point 2, curtailment of the available supplies of meat. With regard to point 3, curtailment in the use of industrial alcohol for purposes other than rubber, very small savings can be expected from this quarter. Point 4, an increase in the supplies of alcohol from nonfood sources, is presently being studied and as you indicate, certain pilot plant operations are progressing on the processing of wood and sulfite liquors. The cost is, however, rather high in facilities and money as is indicated by the fact that an original investment of around \$450,000 is necessary for the yearly production of 1,000,000 gallons of alcohol from this material. The use of critical materials for this program would run into other programs, including farm machinery. Furthermore, new plants could hardly be in operation before late in 1944. With regard to point 5, an adjustment in the rubber program, I am afraid that the adjustment will be upward and not downward. We are making every effort to bring petroleum-derived rubber more into balance, but this is something that will have to be worked out between the Rubber Director and the Petroleum Administration for War.

I think, therefore, that you will agree that we must plan on a firm allocation of at least 800,000 tons of sugar, and as you know, we should prefer 1,450,000 tons. It is necessary to plan firmly on the minimum figures for making the schedules for alcohol plants during 1944. Whatever amounts of alcohol whose production cannot be met from molasses sources, which we agree should be stretched as far as procurement will afford, must be met from grain. We, therefore, count upon you to make available the maximum amount of invert molasses, both as a relief from grain and as a method of increasing alcohol from existing facilities.

Sincerely,

DONALD M. NELSON, *Chairman.*

FOREIGN ECONOMIC ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR,
Washington, D. C., March 3, 1944.

Hon. DONALD M. NELSON,
Chairman, War Production Board,
Washington, D. C.

DEAR MR. NELSON: Representatives of the Foreign Economic Administration have recently completed 2 weeks of discussions with the Cuban Government regarding the purchase of blackstrap molasses and industrial alcohol. As a result of these discussions, the Cuban Government has made a firm commitment to sell 65,000,000 physical gallons of blackstrap molasses at 13.6 cents per gallon and 12,500,000 wine gallons of 190 proof alcohol at 65 cents per gallon. The Cuban Government has also agreed to sell to the United States any additional amounts of blackstrap not required for Cuban domestic needs and not otherwise committed under the agreement. Subsequently, commercial contracts have been agreed to between representatives of Defense Supplies Corporation and Cuban agencies to implement this intergovernmental understanding.

A copy of the understanding substantially in final form is enclosed. Modifications under discussion relate to the details of operations and do not affect any fundamental provisions.

In the course of our discussions, we were considerably aided by the commitment, contained in your letter of December 21, 1943, to limit importation of alcoholic beverages and spirituous liquors produced from cane. Our negotiations developed that it was necessary to provide for restricting the import of beverage alcohol and spirituous liquors from Cuba to the United States if the desired amount of molasses and industrial alcohol was to be obtained. After considerable negotiation, the Cuban Government agreed to take action with the United States to limit shipments of beverage alcohol and spirituous liquors from Cuba to the United States during the calendar year 1944 to an amount not to exceed the amount imported into the United States from Cuba during the calendar year 1943. In 1943 such imports amounted to the equivalent of approximately 14,300,000 proof gallons. As the amount of such imports has been consistently increasing during the past year, the imposition of this restriction will result in a considerable diminution in the present rate of beverage alcohol and liquor imports from Cuba.

In order to persuade the Cuban Government to agree to take appropriate action to give effect to such a restriction in the highly profitable liquor trade, it was necessary for the United States representatives to assure the Cubans that they would use their best efforts to see that imports of beverage alcohol from other foreign countries and from insular possessions of the United States were restricted on a similar basis. The Cuban Government representatives were particularly concerned that the same treatment be accorded to Cuba as was accorded to Puerto Rico and the Virgin Islands. You will note that paragraph (6) of the enclosed memorandum provides: "The delegation will recommend to the appropriate United States Government authorities the establishment of import control measures for beverage alcohol from other countries or from the insular Territories of the United States on bases similar to those provided in paragraph (2) hereof."

This commitment is, of course, in line with our previous correspondence, and I understand that the War Production Board is prepared to take the necessary action to implement this restriction so far as beverage cane spirits are concerned. May I, accordingly, request that appropriate administrative action be taken by the War Production Board to limit in ports of cane beverage spirits from foreign countries during the calendar year 1944 to the amount imported from such foreign countries during the calendar year 1943. It is my understanding that the representatives of the Department of State who have participated very closely in our discussions approve such action.

While I am loath to express any definite view as to the action which should be taken with respect to Puerto Rico and the Virgin Islands since the economy of those possessions is a matter of domestic concern, I am constrained to advise you that failure to take action limiting shipments from those possessions would adversely affect our chances of getting molasses and alcohol from Cuba. The exact details of the restrictions which should be imposed on production in and shipment from Puerto Rico and the Virgin Islands should, I assume, be discussed with the Director of War Mobilization, who is familiar with the results of our Cuban negotiations.

Sincerely yours,

LEO T. CROWLEY, *Administrator.*

HABANA, February 10, 1944.

PROPOSAL OF THE UNITED STATES DELEGATION

1. Cuba will sell to the United States and the United States will buy a minimum of 65,000,000 physical gallons of blackstrap molasses from the carry-over of the molasses produced in 1943 and from that produced during 1944, under the terms and conditions set forth in the 1942 contract for the same product, the institute reserving the right to designate the ports or delivery points at the coast for said quantity of blackstrap molasses.

2. The United States and Cuba shall take all necessary action to limit shipments of beverage alcohol and spirituous liquors from Cuba to the United States during the calendar year 1944 to a total amount not to exceed the amount thereof imported into the United States during the calendar year 1943. This amount is the equivalent of approximately 14,300,000 proof gallons of alcohol.

3. It is understood that Cuba will reserve for its domestic needs an amount of blackstrap molasses necessary to provide carburente, fuel, etc., etc., such amount being estimated at 85,000,000 physical gallons.

4. Cuba will sell to the United States and the United States will buy up to 12,500,000 wine gallons of alcohol of 190 proof, of standard United States specifications, at a price of 65 centavos (\$0.65) per gallon f. o. b. (free on board) Habana

If for any reason, Cuba shall be unable to deliver all or part of the 12,500,000 gallons of 190-proof alcohol, of standard United States specifications, provided for in this paragraph, Cuba will compensate therefor by delivering the equivalent of such deficiency in the form of blackstrap molasses, as an addition to the 65,000,000 gallons referred to in paragraph 1. In computing the compensatory amount of molasses, it shall be considered that 2.7 gallons of blackstrap equal 1 wine gallon of 190-proof alcohol, of standard United States specifications.

5. Cuba will sell to the United States and the United States will buy all blackstrap molasses from the carry-over of the molasses produced in 1943 and from that produced during 1944, in addition to the 65,000,000 physical gallons provided for in paragraph 1 hereof, which may not be required—

(a) For the Cuban domestic needs provided for in paragraph 3 hereof; or

(b) For the production of the beverage alcohol or spirituous liquors provided for in paragraph 2 hereof; or

(c) for the production of up to 12,500,000 wine gallons of 190-proof alcohol, of standard specifications, provided for in paragraph 4 hereof.

At the option of Cuba, up to 8,000,000 wine gallons of 190-proof alcohol, of standard United States specifications, may be delivered by Cuba in lieu of all or part of the blackstrap molasses purchased under this paragraph. The United States will pay for all such blackstrap molasses the price provided for in paragraph 1 hereof and will pay for any 190-proof alcohol, of standard United States specifications, the price provided for in paragraph 4 hereof.

6. The delegation will recommend to the appropriate United States Government authorities the establishment of import control measures for beverage alcohol from other countries or from the insular Territories of the United States on bases similar to those provided for in paragraph 2 hereof. It will likewise recommend to the appropriate United States Government authorities that, to the extent consistent with the most efficient prosecution of the war, measures will be adopted to facilitate the transportation within the continental territory of the United States of the products referred to in this proposal.

The United States will facilitate the obtaining by Cuba of the barrels, bottles, and chemical products required for packaging and distributing the beverage alcohol and spirituous liquors provided for in paragraph 2 hereof.

7. Cuba will notify the United States before May 31, 1944, of the amounts of blackstrap molasses and alcohol which may become available for delivery to the United States under the provisions of paragraphs 4 and 5 hereof.

8. This proposal supersedes all previous proposals made by the United States delegation.

MARCH 10, 1944.

MR. LEO T. CROWLEY,
Administrator, Foreign Economic Administration,
Washington, D. C.

DEAR MR. CROWLEY: Please refer to your letter of the 3d, requesting that the War Production Board act to limit imports of cane beverage spirits from foreign countries in 1944 to the amount imported from the respective countries in the calendar year 1943. In the case of Cuba you state the limitation to be 14,500,000 proof gallons.

In line with your request and with my letter to you of December 21, in which I agreed to take such action if you determined it to be essential to the consummation of the negotiations with Cuba, the War Production Board will issue the necessary orders.

The War Production Board will proceed to issue the necessary control orders based on levels of production agreed upon and fixed by our Chemicals Division. If the limits set for Puerto Rico do not meet the views of the Department of the Interior, and Secretary Ickes requests Justice Elymes to give further consideration to the level of production to be permitted in Puerto Rico, we will, of course, be ready to revise our orders to meet the latter's recommendations.

Sincerely,

DONALD M. NELSON.

[Estimates submitted by Dr. Walter G. Whitman]

End use break-down of indirect military and civilian alcohol consumption (not including synthetic rubber and antifreeze) for fourth quarter of 1943 and first quarter of 1944 combined

[Gallons of 190 proof]

1. Protective coatings:	
Ethyl acetate.	
Nitrocellulose (dissolving and diluent).	
Shellac.	
Butyl acetate.	
Other ethyl esters.	
Nitrocellulose (dehydration).	
Miscellaneous solvent uses.	
Butyl alcohol.	
Isopropyl acetate.	
Amyl acetate.	
Metallic acetates.	
Total	21, 100, 000
2. Textiles:	
Acetate rayon.	
Military protective clothing.	
Textile processing.	
Dyes and intermediates.	
Hydrocellulites.	
Miscellaneous.	
Total	10, 500, 000
3. Plastics:	
Synthetic plastics and resins.	
Cellulose acetate and butyrate plastics.	
Vinyl acetate.	
Diocetyl phthalate plasticizers.	
Nitrocellulose (dehydration).	
Other ethyl esters.	
Miscellaneous plasticizers.	
Propionate plastics.	
Total	10, 000, 000
4. Tetraethyl lead:	
Ethyl chloride.	
Ethylene dibromide.	
Total	8, 900, 000
5. Public health:	
Drugs and pharmaceuticals.	
Basic medicinal chemicals.	
Military protective salves.	
Sulfa drugs.	
Ether.	
Aspirin.	
Atrabrine.	
Rubbing alcohol (prescription only).	
Other pharmaceuticals.	
Biologicals.	
Total	5, 900, 000
6. Food:	
Vinegar.	
Flavoring extracts.	
Mold preservatives.	
Food products.	
Miscellaneous.	
Candy glazes.	
Total	3, 400, 000
7. Explosives:	
Ether.	
Explosives.	
Fulminate of mercury.	
Pentaerithritol.	
Dibutyl phthalate.	
Miscellaneous.	
Total	2, 600, 000

End use break-down of indirect military and civilian alcohol consumption (not including synthetic rubber and antifreeze) for fourth quarter of 1943 and first quarter of 1944 combined—Continued

8. All other uses:

Small orders certified by consumers as coming within quotas authorized by War Production Board.....	4,300,000
Small orders exempt from use limitation.....	1,500,000
Toiletries, cosmetics, oral antiseptics, mouth washes, tooth cleaners, cleaning and polishing preparations.....	1,000,000
All other uses (including butadiene pilot plant (330,000), denaturants (590,000), adhesives (425,000), ore flotation (130,000), inks (170,000), brake fluids, cutting oils, photographic material, etc.).....	9,500,000
Grand total.....	79,100,000

SPECIALLY DENATURATED ALCOHOL¹

Statistics on uses in the United States, fiscal year ended June 30, 1940

(In wine gallons)

Product or use—	Amount used		Amount recovered for reuse
	New	Reused ²	
Cellulose, resin, and related products:			
Lacquers, varnishes, and enamels:			
Cellulose.....	1,438,752	1,720,857	1,759,700
Synthetic resins (with or without natural resins but containing no cellulose compounds).....	163,775	175	
Shellac (containing no cellulose or synthetic resins).....	3,773,291	638	545
Other natural resins (containing no cellulose, synthetic resin, or shellac).....	1,248,999		
Candy glazes.....	63,342		
Other coatings.....	56,350		
Total.....	6,694,599	1,721,700	1,760,245
Plastics:			
Cellulose compounds.....	994,337	617,612	835,725
All other plastics (containing no cellulose).....	1,782,613	683,219	672,601
Total.....	2,776,950	1,300,231	1,508,326
Photographic film (including emulsions).....	279,657	1,562,472	1,414,490
Transparent sheeting.....	30,664	584,157	533,094
Cellulose intermediates.....	257,470	189,283	202,993
Explosives.....	1,684,612	2,368,887	2,357,530
Folishes.....	172,963		
Adhesives.....	79,960		
Soldering flux.....	182,271		
Inks, stains, and dye solutions (containing no cellulose or resin).....	128,973	30	
Total cellulose, resin and related products.....	11,579,121	7,666,960	7,783,168
Solvents and thinners for cellulose, shellac, resin products, etc.: Proprietary solvents.....	16,893,735		
Other industrial thinners.....	994,734	5,086	
Total.....	17,798,469	5,086	

¹ Includes specially denatured rum.

² Represents amounts reused after recovery from processes where the alcohol has not become a part of the finished product. Such alcohol may have been recovered during the fiscal year 1940 or prior thereto and from any of the listed processes.

Statistics on uses in the United States, fiscal year ended June 30, 1940—Continued

(In wine gallons)

Product or use—	Amount used		Amount recovered for reuse
	New	Reused	
Toilet preparations:			
Hair and scalp preparations.....	1,084,980	1,569	1,511
Shampoos.....	224,821		
Bay rum.....	262,967		
Face and hand lotions.....	629,371		
Body deodorants.....	14,995		
Toilet waters.....	1,060,659		
Perfume and perfume (tincture).....	198,856		
Toilet soaps (including shaving cream).....	40,263		
Mouth washes.....	823,431		
Tooth cleaning preparations.....	118,659		
Total.....	4,449,255	1,569	1,511
Processing industrial, food, drug, and other products:			
Nitrocellulose (dehydration of).....	2,674,180	12,898,039	12,793,575
Sodium hydroxide.....	223,505	1,645,980	1,602,422
Wood rosin and synthetic resins.....	371,277	5,083,480	5,088,305
Petroleum oils.....	288,393	3,491,788	3,466,549
Pectin.....	91,133	3,246,344	3,257,057
Food products other than pectin.....	12,943	25,865	25,479
Drug products:			
Drug extracts.....	137,693	593,154	615,147
Glandular products and vitamins.....	429,047	5,990,217	5,023,981
Medicinal chemicals.....	442,316	660,971	737,565
Miscellaneous (including pill and tablet manufacture).....	65,341	116,271	141,439
Dyes and intermediate dyes.....	786,107	298,103	444,510
Perfume materials and fixatives.....	49,217	217,184	317,077
Photographic developers.....	80,199	99,327	99,404
Other chemicals.....	610,689	2,431,065	2,412,046
Miscellaneous.....	88,397	149,458	145,846
Total.....	6,330,933	36,023,493	36,075,916
Pharmaceutical products for external use:			
Rubbing alcohol.....	3,064,903		
U. S. P. and N. F. preparations:			
Witch hazel.....	149,374		
Liniments.....	87,243		
Collisions.....	58,574		
Antiseptics.....	17,534		
Miscellaneous.....	136		
Total.....	312,861		
Tinctures of iodine (official and nonofficial).....	83,024		
Other preparations not U. S. P. or N. F.....	283,894	235	234
Total pharmaceutical products.....	3,744,772	235	234
Cleaning, preserving, and flavoring preparations:			
Toiletry sprays and flaves.....	1,774,964	8,378	16,794
Cleaning preparations (including cleaning operations).....	249,332		
Deodorant sprays (body).....	53,947		
Disinfectants, insecticides, etc.....	41,990	100,304	191,415
Sterilizing and preserving solutions.....	43,576		422
Emulsifying fluids and related products.....	30,555	13	
Industrial soaps.....	15,627	2,439	
Photocopying and reprography use.....	48,935		
Miscellaneous.....	68,600		
Total.....	2,316,991	201,128	208,631
Converted as a raw material in chemical manufacturing:			
Vinegar and acetic acid.....	7,718,558		
Ethyl acetate.....	6,670,190	672,864	59,796
Ethyl chloride.....	11,927,023	128,009	
Other ethyl esters.....	758,746	243,917	330,032
Dyes and intermediates.....	34,479	34,947	7,948
Acetaldehyde.....	24,372,205	16,658,495	16,571,053
Ether, ethyl.....	805,850	196,810	196,810
Ethers, glycol and other.....	899,303	7,448,804	7,448,054
Ethylene dibromide.....	2,180,021	197,480	197,480
Xanthates.....	870,598		
Fulminates of mercury.....	155,853	17,344	17,628

Statistics on uses in the United States, fiscal year ended June 30, 1940—Continued

(In wine gallons)

Product or use—	Amount used		Amount recovered for reuse
	New	Reused	
Ethylene gas.....	1,084,573		—
Miscellaneous.....	716,103	108,227	111,969
Total.....	57,781,574	25,600,925	25,500,730
Fluid uses:			
Antifreeze.....	3,861,154		—
Brake fluids.....	61,363		—
Cutting oils.....	14,955		—
Other fluid uses (including door checks).....	57,294	39	—
Total.....	3,994,578	39	—
Fuel uses:			
Motor fuels.....	39,946		—
Other fuel uses.....	82,429		—
Total.....	122,375		—
Laboratory and experimental uses.....	228,007	6,130	8,990
Grand total.....	108,364,633	60,511,540	60,570,180

Source: U. S. Treasury Department, Bureau of Internal Revenue, Alcohol Tax Unit.

LETTERS DEALING WITH INITIATION OF THE ALCOHOL STOCK PILE

SUPPLY PRIORITIES AND ALLOCATIONS BOARD,
Washington, D. C., January 14, 1942.MR. CHARLES B. HENDERSON,
Chairman, Reconstruction Finance Corporation,
Washington, D. C.

DEAR MR. HENDERSON: At its meeting yesterday the Supply Priorities and Allocations Board discussed the sugar situation, and directed me to request the Reconstruction Finance Corporation to purchase and store alcohol produced from grain until it can be delivered for ultimate Army and Navy use and for sale by the Reconstruction Finance Corporation to legitimate commercial channels and shall secure an agreement from the Army and Navy to use all alcohol within military specifications produced from grain.

In view of the urgency of this matter, I am writing immediately of the Board's decision and would appreciate an early reply.

Sincerely yours,

DONALD M. NELSON.

cc: Mr. Herbert Emmerlich.
Mr. E. B. George.
Mr. A. C. C. Hill, Jr.
Mr. A. I. Henderson.

WAR PRODUCTION BOARD, March 20, 1942.

MR. JOHN D. GOODLOE,
Defense Supplies Corporation,
Washington, D. C.

DEAR JOHN: Reconstruction Finance Corporation was directed by Supply Priorities and Allocations Board on January 1, 1942, to take all necessary action to buy and store alcohol produced from grain.

In this connection, War Production Board has issued an order forbidding the use of alcohol (of 190 proof) produced from grain for beverage purposes. It is provided in said order that such alcohol may be sold only to certain persons, including Reconstruction Finance Corporation.

In view of the following facts—

- (1) Grain alcohol producers, by and large, have no storage facilities.
- (2) Such producers are not set up to do a general industrial business.

(3) Their productive capacity is outstripping military and lend-lease needs (under existing conditions, these are the logical outlets for such alcohol).

(4) Large over-all demands for alcohol are foreseen in the none too distant future.

(5) The availability of molasses, as a raw material for alcohol, is becoming increasingly doubtful (owing, directly, to difficulties of shipping and, indirectly, to the shortage of sugar).

It appears the better part of wisdom to purchase all available grain alcohol not presently required by the military and lend-lease and to store such alcohol against future demands for it and the dwindling of the molasses alcohol supply. We therefore request that Reconstruction Finance Corporation undertake immediately the purchase and storage of approximately 25,000,000 gallons of grain alcohol. It is suggested that such alcohol be stored in the Midwest, preferably in Ohio, Indiana, Kentucky, Illinois, or Missouri.

In connection with such purchase of grain alcohol, we are appending a list of producers whose output, in whole or in part, is available to you. Such alcohol should be purchased either as pure alcohol or as specially denatured alcohol, formula 2B. In purchasing pure alcohol certain legal difficulties may be encountered. The Alcohol Tax Unit of the Treasury Department should be consulted in that regard and any such impediments cleared prior to purchase. Price and transport problems will, it is needless to say, also be present.

We would, of course, expect from time to time to make allocations against such stored alcohol.

Will you be good enough to set about this matter at your earliest possible convenience?

Very truly yours,

A. I. HENDERSON,
Deputy Director, Materials Division, War Production Board.Stocks of 190-proof alcohol as of Dec. 31, 1941¹

[Gallons of 190 proof]

- (1) Alcohol at Internal Revenue Bonded Premises as follows:

	Undenatured	Denatured
At registered distilleries.....	1,157,474	—
At internal revenue bonded warehouses.....	595,407	—
At industrial alcohol plants.....	712,685	—
At industrial alcohol bonded warehouses.....	27,841,704	—
At denaturing plants.....	35,528,943	17,936,232
At bonded dealers premises.....	—	3,535,867
At bonded manufacturers premises.....	—	12,532,386
Total.....	65,836,133	34,004,485
Total undenatured and denatured.....		99,840,618
(2) In addition there was in stock at arsenals and powder plants.....		4,166,698
Which are not internal revenue bonded premises and should be added to give.....		1,04,007,316

- (3) Defense Supplies Corporation stock figure on December 31, 1941, was as follows:

Defense Supplies Corporation owned.....	55,752,056
Rubber Reserve.....	20,584,345
Army and Navy.....	10,269,000
Total.....	86,605,401

- (4) Therefore privately owned producer, dealer, and consumer stocks are about..... 17,401,915

¹ Statement furnished by Dr. Walter G. Whitman.

² This figure does not include completely denatured alcohol, which goes nearly 100 percent to antifreeze and is not generally acceptable for other uses, nor does it include those relatively small amounts not on internal revenue bonded premises (other than listed above), such as alcohol tax paid for food and drug products. However, it is essentially the bulk of the 190-proof alcohol at producers, dealers, consumers, and in stock pile. This figure also does not include alcohol in transit.

- (5) Of this amount, 13,950,546 (80 percent) was on hand in the plants of the following producers and consumers:

Carbide	Commercial Solvents
Publicker	Lac
Du Pont	Standard Alcohol
Siboney	Gulf Distilling
New England Alcohol	United States Industrial

ALCOHOL STOCKS

Letter from Dr. Walter G. Whitman.

WAR PRODUCTION BOARD,
Washington, D. C., March 26, 1944.

Hon. GUY M. GILLETTE,
United States Senate, Washington, D. C.

DEAR SENATOR GILLETTE: At the hearing of your subcommittee on Thursday, March 23, questions were raised as to the total inventories of alcohol in the United States. I made an estimate that inventories in private industry would not exceed 25,000,000 gallons, and agreed to check this.

We have now secured information from Defense Supplies Corporation and the Alcohol Tax Unit which we have combined to give approximately the following figures. These apply to stocks as of December 31, 1943.

Total Government stocks.....	86,600,000
Private stocks.....	17,400,000
High wines at redistillation points.....	1,800,000
Total.....	105,800,000

The first item, total Government stocks, is slightly higher than the figure shown on our March 1 balance sheet because of a minor error in the earlier tabulation.

This report does not include stocks of privately held alcohol not on Internal Revenue bonded premises, such as alcohol tax-paid for food and drug products or withdrawn tax-free as completely denatured alcohol. Completely denatured alcohol is almost wholly used for antifreeze purposes, and the stocks of antifreeze of course vary seasonally. The figures also do not include alcohol in transit notably alcohol in tank cars moving from producing to consuming points.

The private stocks cover producers, consumers, and distributors stocks according to the records of the Alcohol Tax Unit.

I think it reasonable to assume that the amount of private stocks in the country have not been subject to very great variation.

You will note that these data confirm my estimate that private stocks will not exceed 25,000,000 gallons—in fact they do not exceed 20,000,000 gallons according to these figures.

Very truly yours,

WALTER WHITMAN,
Assistant Director, Chemicals Bureau.

Government stocks of ethyl alcohol, Mar. 16, 1944 (statement prepared by Defense Supplies Corporation)

[All figures in thousands of gallons at 190 proof]

Wine gallons	Estimated capacity	Usable capacity	Stocks on hand	Available capacity
Defense Supplies Corporation:				
Pure	66,431	66,431	37,614	28,817
SIDDS	9,939	9,939	7,383	2,556
Total.....	76,370	76,370	44,997	31,373
Rubber Reserve Company:				
Kobuta	17,650	15,000	11,677	3,323
Louisville	11,880	9,900	9,831	.....
Institute	7,359	5,800	6,329	1,030
Dow	886	800	614	.....
Total.....	37,766	31,000	28,442	3,500

Government stocks of ethyl alcohol, Mar. 16, 1944 (statement prepared by Defense Supplies Corporation)—Continued

[All figures in thousands of gallons at 190 proof]

Wine gallons	Estimated capacity	Usable capacity	Stocks on hand	Available capacity
Army and Navy plants:				
Picatinny	44	33	48	.....
Chemical Warfare	5,175	3,881	3,174	1,707
Du Pont	2,531	2,199	780	1,419
Hercules	3,867	2,975	2,887	88
Tennessee Eastman	3,200	2,400	1,441	959
Navy powder plant	361	271	241	30
Total.....	15,678	11,769	8,571	3,203
Grand total.....	129,714	119,129	82,010	38,065
Feb. 26, 1944.....	133,674	123,080	70,664	43,991
Feb. 16, 1944.....	133,922	123,067	81,397	41,987
July 31, 1943 (maximum).....	166,630	152,967	138,038	17,048
Dec. 31, 1942.....	94,373	94,973	63,815	31,161

NOTE:—"Usable capacity" is not necessarily the difference between "Usable capacity" and "Stocks on hand" since some tanks may be temporarily filled beyond the arbitrary "Usable capacity".
In addition there were 2,687,000 wine gallons of high wines on hand at redistillation plants, or the equivalent of 1,832,000 wine gallons of 190-proof alcohol.

Alcohol in Defense Supplies Corporation leased storage
(Statement prepared by Defense Supplies Corporation)

[All figures in thousands of gallons at 190 proof]

Space leased at—	Estimated capacity	On hand Feb. 16	Available capacity
Allied, Riverdale	2,730	798	1,932
American, Sausalito	1,068	570	498
Carbide and Carbon, Whiting	1,400	1,399	11
Commercial Solvents, Peoria	2,000	1,962	38
Do.....	4,503	3,807	696
Douglas Fuel, Merro	2,308	2,294	104
Gulf Refining, Louisville	1,058	636	422
Lawrence	4,018	1,652	2,366
Forest View	4,016	3,210	796
Lawrenceville	2,478	2,410	68
Trye	4,492	4,338	154
Morgantown	20,615	13,086	7,529
Fairfield	1,001	632	369
Chris Bay	2,995	1,981	1,015
New England Alcohol, Everett	20	22	.....
Publicker Commercial	4,880	185	4,695
Philadelphia, Tasker St.	730	.....	730
Pure Oil, Heath	2,315	.....	2,315
Rock Island, Indianapolis	1,051	1,663	.....
Shell, East Chicago	6,672	257	6,415
Siboney, Philadelphia	540	184	356
Standard of Indiana, Indianapolis	1,380	1,379	10
Trester, Cincinnati	630	394	236
Walker, Peoria	2,260	31	2,229
Total.....	75,421	44,504	30,919
Defense Supplies Corporation free storage.....	493	493	456
Total.....	76,370	44,997	31,375

DEFENSE SUPPLIES CORPORATION,
Washington, D. C., May 23, 1944.

Mr. J. G. SOURWINE,
Counsel, Liquor Investigating Committee,
Subcommittee of the Judiciary Committee,
Washington, D. C.

DEAR Mr. SOURWINE: The transcript of the hearings held on May 18, 1944, is returned herewith.

In accordance with your request (p. 1364), there is attached a statement setting forth the quantity of alcohol acquired under the subsidy program and the subsidy

paid thereon. Supporting statements show the quantities acquired each month from the different companies and the amounts expended for the subsidy.

The transcript has been corrected on page 1363 to indicate shipments of alcohol to Rubber Reserve Company during the first quarter of approximately 92,500,000 gallons in lieu of 110,000,000 gallons.

Very truly yours,

SAMUEL H. SABIN,
Vice President.

Subsidy program
SUMMARY

Company	100-proof gallon	Amount	Per gallon
E. I. du Pont, Wilmington, Del.	6,849,381.20	\$2,024,217.43	\$0.2955
New England Alcohol Co., Everett, Mass.	1,720,738.10	573,523.21	.3321
Siboney Distilling Co., Philadelphia, Pa.	550,515.94	363,354.41	.6587
United States Industrial Chemical Co., Yonkers, N. Y.	2,171,215.30	959,653.21	.44188506
United States Industrial Chemical Co., Newark, N. J.	816,182.50	327,851.47	.39914
Publisher Commercial Alcohol Co., Philadelphia, Pa.	17,706,356.70	6,472,746.19	.36550605
Total	30,165,359.74	10,631,345.98	.35243527

PUBLICKER COMMERCIAL ALCOHOL CO., PHILADELPHIA, PA.

1943:			
July	2,022,162.00	\$634,938.65	\$0.31399
August	2,019,608.00	822,537.59	.31399
September	3,057,522.00	980,631.33	.31399
October	2,604,439.50	1,072,743.76	.4072
November	1,957,040.50	690,616.25	.3532
December	2,371,255.30	965,591.45	.4072
1944:			
January	997,523.80	400,605.56	.4016
February	1,124,888.40	451,034.70	.4016
March	1,352,041.00	555,027.90	.4016
Total	17,706,356.70	6,472,746.19	.36550605

UNITED STATES INDUSTRIAL CHEMICALS, INC., YONKERS, N. Y.

1943:			
September	194,376.40	\$44,337.20	\$0.2281
October	208,577.70	50,958.20	.2443128
November	312,756.90	140,840.01	.45020385
December	299,736.50	136,011.97	.45367201
1944:			
January	279,006.20	175,068.66	.6254577
February	323,263.30	176,594.05	.546320793
March	329,240.00	155,631.67	.472099312
Total	2,171,215.30	959,653.21	.44188506

NEW ENGLAND ALCOHOL CO., EVERETT, MASS.

1943:			
September	712,269.30	\$202,284.33	\$0.284
October	403,221.50	114,514.90	.284
November	434,275.70	152,478.79	.3532
December	1,176,771.40	74,243.99	.0632
Total	1,720,738.10	573,523.21	.3321

E. I. DU PONT DE NEMOURS & CO., WILMINGTON, DEL.

1943:			
September	1,530,537.70	\$14,849.13	\$0.0097
October	1,530,709.50	334,215.78	.2189
November	1,411,794.80	315,587.46	.2235
December	1,708,197.50	695,226.38	.4072
1944:			
January	667,441.70	294,331.74	.441
Total	6,849,381.20	2,024,217.43	.2955

Subsidy program—Continued

UNITED STATES INDUSTRIAL CHEMICALS, INC., NEWARK, N. J., PLANT

Company	100-proof gallon	Amount	Per gallon
1943:			
September	184,381.50	\$22,457.67	\$0.1218
October	221,765.20	69,562.80	.313074
November	201,724.60	67,645.73	.3353058
December	208,261.20	75,185.27	.35838227
Total	816,152.50	237,851.47	.2914

SIBONEY DISTILLING CORPORATION, PHILADELPHIA, PA.

1943:			
September	187,372.31	\$48,529.43	\$0.259
October	243,550.33	70,930.44	.2914
November	218,576.94	81,368.28	.3744
December	227,016.16	162,566.20	.7161
Total	895,515.94	363,354.41	.4057

Defense Supplies Corporation—alcohol contracts

CHICAGO AGENCY, FOURTH QUARTER 1943, PRICES

Contract No. Chi-0-P	Producer	Price per 100-proof gallon
III-2	Amerleau Distilling Co., Pekin, Ill.	\$0.7818
Ky-280	James B. Bean Distilling Co., Clermont, Ky.	1.0017
III-8	Belvidere Distilling Co., Belvidere, Ill.	.6017
IAP-311	Blozella Distilling Co., Peoria, Ill.	.8070
IAP-273	Boeckler Associates, Trenton, Mich. Jr.	.9232
Ky-30	Bond's Mill Distilling Co., Lawrenceville, Ky.	1.0067
Ky-414	Brown-Farm Distillers Corporation, Louisville, Ky.	.9418
Ky-52	Brown-Farm-Lalorot & Graham, Frankfort, Ky.	1.3030
Ohio-5	Cedar Valley Distillery, Woodstock, Ohio	1.1853
Ky-13	Churchill Distilling Co., Boston, Ky.	1.0992
IAP-280	Clinton Products Company, Clinton, Iowa	.9498
Ind-3	Commercial Solvents Corporation, Terre Haute, Ind.	.8253
Ky-20	Cummins-Collins Distilleries, Albertville, Ky.	(B) 1.00
Pa-8	Dillinger Distilleries, Radcliffe, Pa.	1.1349
Ky-23	Dowling Bros. Distilling Co., Burstin, Ky.	(B) 1.1970
Ky-42	Farfield Distillery, Bardonia, Ky.	1.1422
IAP-249	Farm Crops Processing Corporation, Omaha, Neb.	()
Ky-10	Feldman Distilling Corporation, Louisville, Ky.	.9223
Ky-7	Frankfort Distilleries, Inc., Louisville, Ky.	.9243
Pa-12	Frantz Distillers, Inc., Meyersdale, Pa.	.9914
Ky-10	General Distillers Corporation, Louisville, Ky.	1.1692
Ky-34	Glenmore Distilleries, Owensboro, Ky.	.8507
IAP-245	Grain Processing Corporation, Muscatine, Iowa	(B) 1.05
Ky-45	Hermes Plant Distillery, Camp Nelson, Ky.	1.0315
Ky-39	Meadow Lawn Distilling Co., Meadowlawn, Ky.	.8836
Ky-49	Medley Distilling Co., Owensboro, Ky.	.9380
Ind-5	Merchant's Distilling Corporation, Terre Haute, Ind.	.8218
IAP-217	Milwest Solvents Co., Ashland, Kans.	.8303
Ky-17	National Distillers Products Corporation:	
Ky-47	Blue Grass Plant, Oertsmann, Ky.	1.0350
Ohio-1	Carthage Plant, Cincinnati, Ohio	.8258
III-4	Century Plant, Peoria, Ill.	.6905
Ky-14	Elkhorn Turb Plant, Frankfort, Ky.	.9161
Ky-4	Hill & Hill Plant, Bardonia, Ky.	(B) 1.01
Ky-8	Old Green-Dad Plant, Louisville, Ky.	1.0608
Ky-25-53	Old Crow & Old Taylor Plant, Frankfort, Ky.	1.0082
Ky-19	Old Green-Dad Plant, Louisville, Ky.	.9054
Pa-3	A. Overholt & Co., Broad Ford, Pa.	.9327
Pa-3	A. Overholt & Co., Larr, Pa.	.9444
Ky-3	Old Green-Dad Plant, Louisville, Ky.	.8465
IAP-348	Kansas City Plant, Kansas City, Mo.	()
Ky-31	Old Taylor Distillery Co., Elton, Ky.	1.1008
Mo-2	Ozark Mountain Distilling Co., Joplin, Mo.	.8505
Pa-15	Park & Tilford Distilleries, Brownsville, Pa.	.9365
Ky-6	Park & Tilford Distilleries, Louisville, Ky.	1.0229
Ky-30	Park & Tilford Distilleries, Midway, Ky.	1.0868
Ky-22	H. E. Poppe Distillery Co., Mayville, Ky.	1.3453

¹ No production.

Defense Supplies Corporation—alcohol contracts—Continued
CHICAGO AGENCY, FOURTH QUARTER 1943, PRICES—Continued

Contract No. Chl-4P-	Producer	Price per 100-proof gallon
Ky-27.....	Rippy Bros. Distillers, Lawrenceburg, Ky.....	\$0.9645
Ky-9.....	Schenley Distilleries, Inc.,	
Ky-1.....	Associated Kentucky Plant, Lebanon, Ky.....	1.2465
Ky-2.....	Bernheim Distilling Co., Louisville, Ky.....	1.8764
Ky-30.....	do.....	1.8329
Pa-4.....	Stage Blue Ribbon Plant, Carrollton, Ky.....	1.1938
Ky-105.....	Jos. S. Finch & Co., Schenley, Pa.....	1.8914
Ind-7-2.....	Green River Plant, Steamplant Ground, Ky.....	1.0594
Ky-5.....	Old Quaker Plant, Lawrenceburg, Ind.....	1.7887
Ky-112.....	James E. Pepper & Co., Lexington, Ky.....	1.8198
Ky-18.....	Geo. T. Stueg Co., Frankfort, Ky.....	1.7975
Ky-48.....	Stage Limestone Springs Plant, Limestone Springs, Ky.....	(1)
Ohio-3.....	Joseph E. Seagram & Sons, Inc.,	
Ind-1.....	Dant & Dant Plant, Louisville, Ky.....	1.8209
Ky-27.....	Dant & Dant Plant, Bedford, Ohio.....	1.1832
Ky-111.....	Lawrenceburg Plant, Lawrenceburg, Ind.....	1.8328
Ky-40.....	Louisville Plant, Louisville, Ky.....	1.8027
Ky-21.....	McKenna Plant, Fairfield, Ky.....	(1)
Ky-15.....	McKenna-Old Colony Plant, Midway, Ky.....	1.0322
Shawhan Distillery Co., Bardonia, Ky.....		1.3034
Ind-2.....	Old Lewis Hunter Plant, Cynthiana, Ky.....	1.1039
Ind-4.....	Shawhan Distillery Co., Bardonia, Ky.....	(1)
Ky-16.....	Stiefel-Lowenthal Co., Cleveland, Ohio.....	1.1007
Ky-12.....	W. F. Smith Distilling Co., Vevian, Ind.....	1.0191
Ill-1.....	Sittler-Walker Distillery, Shively, Ky.....	1.8472
Ill-2.....	Teague Williams Distillers, Louisville, Ky.....	1.6961
Ill-3.....	Tom Moon Distillery Co., Bardonia, Ky.....	1.0746
Ill-4.....	Himm Walker & Sons.....	
Ky-61.....	Clark Street Plant, Peoria, Ill.....	1.8018
Ky-32.....	Edmund Street Plant, Peoria, Ill.....	1.6991
Ky-33.....	James Walsh & Co., Inc., Lawrenceburg, Ind.....	1.8867
Ky-34.....	Watson Bros. Distillers, Bardonia, Ky.....	1.0319
Ky-35.....	Yankton Industrial Alcohol Corporation, Yankton, S. Dak.....	1.0711

¹No production.

PHILADELPHIA AGENCY, FOURTH QUARTER, 1943, PRICES

Contract No. Phil-SP-	Producer	Price per 100-proof gallon
Va-4.....	Belle Meade Distilling Corporation, Belle Meade, Va.....	(B) 1.30
Va-2.....	A. Smith Bowman Distillery, Sunset Hills Va.....	(B) 1.0988
Ma-8.....	Carrollton Springs Pure Rye Distillery, Baltimore, Md.....	(B) 1.09
Ma-8.....	Consolidated Distilleries, Inc., East Taunton, Mass.....	(B) 99
NY-1.....	A. Pont de Nemours & Co., Chambers Point, N. J.....	(B) 1.10
NY-1.....	Fleishmann Distilling Corporation, Pecksill, N. Y.....	1.0354
NY-1.....	Pont Distilling Corporation, Glen Rock, N. Y.....	1.0919
NY-1.....	Geisse Brewing Co., Rochester, N. Y.....	1.1045
NY-1.....	Harford County Distillery, Harvardside Grace, Md.....	1.4469
NY-1.....	Highland Distilleries, Boston, Mass.....	1.2091
NY-1.....	James Distillery, Baltimore, Md.....	1.4469
NY-1.....	Mid-Valley Distillery.....	1.2091
NY-1.....	New England Alcohol Co., Everett, Mass.....	(1)
NY-1.....	Old Clover Distillery Co., Tunkhannock, Pa.....	1.3068
NY-1.....	Park & Tilford Distillers, Owling Mills, Md.....	(B) 1.321
NY-1.....	Publisher Commercial Alcohol Co.....	1.8321
NY-1.....	Rifer Street plant, Philadelphia, Pa.....	1.8472
NY-1.....	Trasker Street plant, Philadelphia, Pa.....	1.84
NY-1.....	Continental plant, Philadelphia, Pa.....	1.9143
NY-1.....	Kinsley plant, Lindeburg, Pa.....	1.1180
NY-1.....	Beardville Distilleries, Boston, Mass.....	1.1072
NY-1.....	Schenley Distilleries—Monticello plant, Baltimore, Md.....	1.8027
NY-1.....	Joseph E. Seagram & Sons, Inc.,	
NY-1.....	Carroll Distilling Co., Releg, Md.....	(B) 95
NY-1.....	Hunter Distilleries Co., Gwynnbrook, Md.....	(B) 1.15
NY-1.....	Paul Jones & Co., Baltimore, Md.....	1.9687
NY-1.....	Sherwood Distilling Co., Westminster, Md.....	1.12861
NY-1.....	Shaw Distilling Corporation, Philadelphia, Pa.....	1.1778
NY-1.....	United Distillers Products Corporation, Amston, Conn.....	1.3094
NY-1.....	United Distillers of America, Ltd., Baltimore, Md.....	1.9028
NY-1.....	United States Industrial Chemicals, Inc.,	
NY-1.....	Curtis Bay plant, Curtis Bay, Md.....	1.8470
NY-1.....	Newark plant, Newark, N. Y.....	1.8354
NY-1.....	Yonkers plant, Yonkers, N. Y.....	1.0313
NY-1.....	Frank L. Wight Distilling Co., White Marsh, Md.....	1.0828

¹\$0.57330 to Nov. 12, \$0.48 (ceiling) after.

²Ceiling.

Note.—Billing prices indicated by "B." All other prices represent voluntary adjustments by producers, based upon actual costs for period. All prices are subject to review and further adjustment by Office of Price Administration.

Defense Supplies Corporation—alcohol contracts—Continued
NEW ORLEANS AGENCY, FOURTH QUARTER, 1943, PRICES

Contract No. NO-SP-	Producer	Price per 100-proof gallon
IAP-225.....	Chartres Alcohol Co., New Orleans, La.....	\$0.5225
IAP-231.....	Commercial Solvents Corporation, Harvey, La.....	.48
IAP-128.....	Commercial Solvents Corporation, Westwego, La.....	.48
IAP-170.....	Gulf Distilling Corporation, Ortna, La.....	.49
IAP-229.....	Publisher Commercial Alcohol Co., Westwego, La.....	.48
IAP-2.....	United States Industrial Chemicals, Inc., New Orleans, La.....	.48

Note.—Above ceiling prices for alcohol production from molasses are established by Office of Price Administration MPR-28 and special orders thereunder.

SAN FRANCISCO AGENCY, FOURTH QUARTER, 1943, PRICES

Contract No. SF-SP-	Producer	Price per 100-proof gallon
Cal-4.....	American Distilling Co., Sausalito, Calif.....	(B) 80.50
Cal-74.....	Biscella Bros. Wine Co., Fresno, Calif.....	(B) 7.830
IAP-55.....	Commercial Solvents Corporation, Astoria, Calif.....	.48
Cal-401-1.....	B. C. Rihari & Sons, Inc., Madrone, Calif.....	(B) 6.739
Cal-27.....	Francia Bros. Winery, Eikon, Calif.....	(OFA) 3.250
Cal-42-1.....	E. & J. Gallo Winery, Modesto, Calif.....	(1)
Cal-42-1.....	Garden Vineyards Winery & Distillery Co., Fowler, Calif.....	(B) 1.08
IAP-224.....	Indecore Distilling Corporation, Napa, Calif.....	1.4739
Cal-2.....	Lac Chemicals, Inc., Culver City, Calif.....	1.8447
Cal-201.....	Perrin Wine Co., Fresno, Calif.....	1.8943
Cal-251.....	San Gabriel Vineyard Co., San Gabriel, Calif.....	1.6719
Cal-50.....	San Martin Vineyards Co., San Martin, Calif.....	(B) 7.55
Ale-1.....	Schenley Distilleries, Inc., Tuxen, Ariz.....	1.7919
Cal-75.....	Sunrise Winery, Fresno, Calif.....	(B) 7.408

¹Ceiling.

²No production.

Note.—Billing prices indicated by "B." All other prices (except 1) represent voluntary adjustments by producers, based upon actual costs for period. All voluntarily adjusted and billing prices subject to review and possible further adjustment by Office of Price Administration.
Fourth quarter price of \$0.5250 for Francia Bros. Winery (above) established by Office of Price Administration after audit of producer's costs.

ALCOHOL REQUIREMENTS OF THE RUBBER PROGRAM

[Correspondence and memoranda from the files of the Rubber Director]

MAY 21, 1943.

MEMORANDUM

To: Dr. Walter G. Whitman.

From: Bradley Dewey, Deputy Rubber Director.

Subject: Alcohol requirements for butadiene and styrene plants.

According to our latest estimates, the alcohol requirements for butadiene and styrene production in the calendar year of 1943 and the year 1944 will be approximately 130,499,000 gallons and 256,812,000 gallons respectively. However, since it is impossible at this time to accurately predict consumption, you should use a plus or minus 10 percent leeway on these yearly totals for fitting these figures into your over-all program.

For your convenience and personnel use, we are enclosing a copy of our work sheets showing the estimated alcohol requirements by location for these two periods.

JUNE 23, 1943.

MEMORANDUM

To: Dr. Walter G. Whitman.
 From: Bradley Dewey, Deputy Rubber Director.
 Subject: Alcohol requirements for synthetic rubber program.

Attached are our latest estimates of alcohol requirements for the synthetic rubber program, by location, for July, August, and September 1943. We are planning to review these estimates the middle of July and hope at that time to be able to give you more realistic data as a result of the experience in the plants which will have begun operation between now and that time. As in the case of previous estimates, you should allow yourself a plus or minus 10 percent leeway with these estimates.

Alcohol requirements for synthetic rubber program in gallons

(The following data shows the estimated alcohol requirements for the synthetic rubber program for July, August, and September, 1943, by location. No provision has been made in these figures for a working inventory of alcohol at the respective plants)

BUTADIENE			
Location	July	August	September
Institute (Carbide & Carbon).....	7,000,000	7,000,000	8,000,000
Pittsburgh (Koppers).....	1,740,000	4,430,000	7,000,000
Louisville (Carbide & Carbon).....	1,740,000	5,100,000	6,000,000
Total butadiene alcohol requirements.....	11,080,000	17,130,000	21,000,000
STYRENE			
Los Angeles (Dow Chemical).....	210,000	380,000	440,000
Pittsburgh (Koppers).....		180,000	530,000
Total styrene alcohol requirements.....	210,000	570,000	970,000
Grand total alcohol requirements, butadiene and styrene.....	11,290,000	17,700,000	21,970,000
ETHYL BENZENE			
Canton, Ohio (Canton Refinery).....	92,000	92,000	92,000
Grand total alcohol requirements.....	11,382,000	17,792,000	22,062,000

Office of Rubber Director, June 23, 1943.

JULY 13, 1943.

MEMORANDUM

To: Dr. Walter G. Whitman.
 From: Bradley Dewey, Deputy Rubber Director.
 Subject: Alcohol requirements for synthetic rubber program.

Attached are our latest estimates of alcohol requirements for the production of butadiene and styrene for the balance of the year 1943 and the year 1944.

As in the case of previous estimates, you should allow yourself a plus or minus 10 percent leeway with these data.

Alcohol requirements of butadiene and styrene plants, in gallons, 1943-44

(The following data shows the estimated alcohol requirements for the operation of butadiene and styrene plants for the balance of 1943 and the year 1944, by location. No provision has been made in these figures for a working inventory of alcohol at the respective plants)

Location	BUTADIENE					
	July	August	September	October	November	December
Institute (Carbide & Carbon).....	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Pittsburgh (Koppers).....	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Louisville (Carbide & Carbon).....	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Philadelphia (Cyanamid).....	700,000	700,000	700,000	700,000	700,000	700,000
Total butadiene alcohol requirements.....	8,900,000	8,900,000	8,900,000	8,900,000	8,900,000	8,900,000
STYRENE						Total, 1944
Los Angeles (Dow Chemical).....	220,000	380,000	440,000	420,000	440,000	18,000,000
Pittsburgh (Koppers).....	220,000	580,000	1,120,000	1,120,000	1,120,000	18,000,000
Total styrene alcohol requirements.....	440,000	960,000	1,560,000	1,540,000	1,560,000	36,000,000
Grand total alcohol requirements.....	9,340,000	9,860,000	10,460,000	10,440,000	10,460,000	54,000,000
ETHYL BENZENE						Total, 1944
Canton (Canton Refinery).....	92,000	92,000	92,000	92,000	92,000	1,104,000
Grand total alcohol requirements.....	9,432,000	9,952,000	10,552,000	10,532,000	10,552,000	55,104,000

MEMORANDUM

August 14, 1943.

To: Dr. Walter G. Whitman.

From: Bradley Dewey, Deputy Rubber Director.

Subject: Alcohol requirements for synthetic rubber program.

Attached are our latest estimates of alcohol requirements for the production of butadiene and styrene for the balance of the year 1943 and the year 1944.

As in the case of previous estimates, you should allow yourself a plus or minus 10-percent leeway with these data.

Alcohol requirements of butadiene and styrene plants in gallons, 1943-44

(The following data show the estimated alcohol requirements for the operation of butadiene and styrene plants for the balance of 1943 and the year 1944, by location. No provision has been made in these figures for a working inventory of alcohol at the respective plants.)

BUTADIENE

Location	August	September	October	November	December	Present 5 month total, 1943	Previous 5 month total, 1943	Total, 1944
Institute (Carbide & Carbon)	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	40,000,000	40,000,000	80,000,000
Los Angeles (Dow Chemical)	225,000	225,000	225,000	225,000	225,000	1,125,000	1,125,000	2,250,000
Pittsburgh (Koppers)	200,000	450,000	642,000	655,000	655,000	2,592,000	2,592,000	5,184,000
St. Louis (Carbide & Carbon)	2,500,000	5,000,000	6,000,000	6,000,000	6,000,000	25,500,000	25,500,000	51,000,000
Philadelphia (Higer)	13,000,000	10,000,000	21,000,000	22,000,000	22,000,000	97,000,000	98,300,000	195,300,000
Total butadiene alcohol requirements	13,000,000	14,000,000	21,000,000	22,000,000	22,000,000	97,000,000	98,300,000	195,300,000

STYRENE

Los Angeles (Dow Chemical)	225,000	225,000	225,000	225,000	225,000	1,125,000	1,125,000	2,250,000
Pittsburgh (Koppers)	200,000	450,000	642,000	655,000	655,000	2,592,000	2,592,000	5,184,000
Total styrene alcohol requirements	425,000	675,000	867,000	880,000	880,000	3,717,000	3,717,000	7,434,000
Grand total alcohol requirements	13,425,000	14,675,000	21,867,000	22,880,000	22,880,000	100,717,000	102,017,000	202,734,000

ETHYL BENZENE

Canton (Canton Refinery)	75,000	80,000	80,000	80,000	80,000	395,000	400,000	795,000
Grand total alcohol requirements	13,500,000	14,755,000	21,947,000	22,960,000	22,960,000	101,112,000	102,417,000	204,529,000

MEMORANDUM

SEPTEMBER 22, 1943.

To: Dr. Walter G. Whitman.

From: Bradley Dewey, Rubber Director.

Subject: Alcohol requirements for synthetic rubber program.

Attached are our latest estimates of alcohol requirements for the production of butadiene and styrene for the balance of the year 1943 and for the calendar year 1944.

We believe these are accurate within 10 percent.

Alcohol requirements of butadiene and styrene plants in thousand gallons, 1943-44

(The following data show the estimated alcohol requirements for the operation of butadiene and styrene plants for the balance of 1943 and the year 1944, by location. No provision has been made in these figures for a working inventory of alcohol at the respective plants.)

BUTADIENE

Location	1943			4-month period 1943	Pre- war month 1943	1944			1944, December month- ly rate	1944, balance of year total	Year total 1944	Previous esti- mate total 1943
	Sep- tember	October	Novem- ber			Janu- ary	Febru- ary	March				
Institute (Cacibide & Carbon)	9,500	9,500	9,500	28,500	23,000	8,500	8,500	8,500	8,500	85,500	115,000	95,000
Los Angeles (Dow)	450	450	450	1,350	1,100	450	450	450	450	4,500	5,900	4,500
Louisville (Carbide & Carbon)	5,500	7,000	7,000	19,500	23,000	7,000	7,000	7,000	7,000	63,000	84,000	72,000
Philadelphia (Olin)	1,000	1,000	1,000	3,000	2,500	1,000	1,000	1,000	1,000	9,000	11,500	9,000
Total	16,000	22,500	23,500	69,500	84,000	28,500	28,500	28,000	28,000	206,000	315,400	290,000

STYRENE

Location	1943			4-month period 1943	Pre- war month 1943	1944			1944, December month- ly rate	1944, balance of year total	Year total 1944	Previous esti- mate total 1943
	Sep- tember	October	Novem- ber			Janu- ary	Febru- ary	March				
Los Angeles (Dow)	550	550	550	1,650	2,140	550	550	550	550	4,950	6,600	6,420
Pittsburgh (Koppers)	450	450	450	1,350	2,475	700	700	700	700	6,300	8,400	8,220
Total	1,000	1,000	1,000	3,000	4,615	1,250	1,250	1,250	1,250	11,250	15,000	14,640

ETHYL BENZENE

Location	1943			4-month period 1943	Pre- war month 1943	1944			1944, December month- ly rate	1944, balance of year total	Year total 1944	Previous esti- mate total 1943
	Sep- tember	October	Novem- ber			Janu- ary	Febru- ary	March				
Canton (Canton Refinery)	80	80	80	240	320	80	80	80	80	720	960	960
Grand total alcohol requirements	20,000	23,750	24,500	68,250	84,925	35,800	36,800	37,300	37,300	271,000	331,300	294,600

NOVEMBER 11, 1943.

MEMORANDUM

To: Dr. Walter G. Whitman, room 1073, Tempo S.
 From: Bradley Dewey, Rubber Director.
 Subject: Alcohol requirements for synthetic rubber program.

Confirming our telephone conversation of some time ago, I am summarizing herewith our latest estimates on the ethyl alcohol requirements for the rubber program for the year 1944. These requirements are based upon gallons of 190-proof alcohol and the consumption should be more or less uniform throughout the year with the exception of that for the Publicker Commercial Alcohol Co., which will most likely concentrate in the last 6 to 9 months of the year.

Gallons	
Butadiene:	
Institute, W. Va.	106,000,000
Kobuta, Pa.	106,000,000
Louisville, Ky.	79,500,000
Philadelphia, Pa.	5,000,000
Styrene:	
Los Angeles, Calif.	7,000,000
Kobuta, Pa.	8,000,000
Total	311,500,000

You will note that these requirements are about 7 percent less than those given in my letter of September 22. This decrease is due to two main factors, namely, improved yields of butadiene per gallon of alcohol and better estimates of operating capacity based upon more experience.

As with past estimates, we do not believe that these values should be considered more accurate than plus or minus 10 percent.

DECEMBER 15, 1943.

Mr. WALTER G. WHITMAN,
 Assistant Director, Chemicals Division,
 War Production Board, Washington, D. C.

DEAR SIR: This is to advise you that our most recent estimates of alcohol requirements for the rubber program for 1944 indicate a consumption of 327.6 million gallons of alcohol instead of our previously estimated 311.5 million gallons. The break-down of the alcohol requirements by quarters is as follows:

Gallons	
First quarter	82,200,000
Second quarter	83,400,000
Third quarter	81,000,000
Fourth quarter	81,000,000
1944 total	327,600,000

In making these estimates, it is contemplated to run the present completed alcohol butadiene plants for all-out production in the first two quarters of 1944. Thereafter they will be run at a slightly reduced rate. However, the Publicker butadiene plant at Philadelphia will begin operations during the second quarter and will partially replace this decrease in alcohol consumption.

The increase over the previous estimate is based on the following facts:

- Recent data have indicated that the alcohol plants will run considerably more than 150 percent of rated capacity.
- There is at present a 35,000-ton deficit in GR-S production.
- The petroleum butadiene plants will come into full-scale operation several months later than we had previously estimated.
- After the petroleum butadiene plants are in successful operation, there is grave doubt as to whether they can be run above rated capacity because of the great demand for butylenes for the aviation gasoline program.

In view of the above, we feel it is necessary to run the alcohol butadiene plants full blast for at least the first half of 1944, hence the increase in our estimated alcohol requirements.

Yours very truly,

BRADLEY DEWEY, Rubber Director.

JANUARY 25, 1944.

Dr. WALTER WHITMAN,
 Chief, Chemicals Division, War Production Board,
 Washington, D. C.

DEAR DR. WHITMAN: This is to confirm our telephone conversation of this afternoon and to acknowledge your having sent me a copy of your memorandum of January 18 to Dr. W. Y. Elliott in which you discuss the trouble you are having in getting from the War Food Administration a commitment to supply more than 130,000,000 of the 170,000,000 bushels plus or minus the grain necessary for your 1944 alcohol program. I am not commenting on the discussion in question other than to say that we look to you and rely upon you as we have in the past for our requirements of alcohol. We have implicit confidence in your statements that you will so do.

At present, it is our understanding that you have recorded our basic requirements as 329,600,000 gallons plus or minus 10 percent, and that you have taken cognizance of our subsequent statement that we feel confident that we will use a part of the additional 10 percent so that our requirements will be 345,000,000 plus or minus 5 percent.

Since there seems to have been a feeling that our requirements will be less than the last quarter of the year, I wish to emphasize that as of today we see little or no possibility of this being the case.

Very sincerely yours,

BRADLEY DEWEY, Rubber Director.

FEBRUARY 10, 1944.

Prof. W. G. WHITMAN,
 Assistant Director, Chemicals Division, War Production Board,
 Washington, D. C.

DEAR PROFESSOR WHITMAN: I am enclosing herewith our latest estimates of the alcohol requirements for the rubber program for 1944.

The attached table gives our present estimated alcohol requirements as 345,000,000 gallons. This is an increase of 17,700,000 gallons from our estimate of December 15, 1943. We believe that this new estimate is probably better than those previously made and that, therefore, the variation limits can be dropped from ± 10 to ± 5 percent. Mr. Dewey believes that the actual consumption is more likely to be in line with the ± 5 percent due to the fact that during January the alcohol butadiene plants used 27,300,000. This quantity prorated for the year, together with the allowance for alcohol consumption by the styrene plants, corresponds to slightly over 345,000,000 gallons without any allowance for the Publicker plant at Philadelphia. In view of the fact that we expect the Publicker plant to begin operation within the next few months, it is expected that the monthly consumption will be greater than for January. The Carbide and Carbon units themselves will probably also show further increases in capacity, although these are likely to be relatively small percentage-wise.

Yours very truly,

E. R. GILLILAND,
 Assistant Rubber Director.

Rubber program, estimated alcohol requirements for 1944

Gallons		Gallons	
January	27,400,000	August	29,400,000
February	27,500,000	September	29,500,000
March	28,400,000	October	29,500,000
April	28,400,000	November	29,500,000
May	28,500,000	December	29,500,000
June	28,700,000		
July	29,000,000	Total	345,300,000

WAR PRODUCTION BOARD,
Washington, D. C., March 6, 1944.

COL. BRADLEY DEWEY,
Director, Office of the Rubber Director,
War Production Board, Washington, D. C.

DEAR BRADLEY: Confirming our telephone conversation of this forenoon, I understand that your present estimate of the alcohol requirements of the rubber program for the calendar year 1945 is 365,000,000 gallons.

For our estimates of alcohol supplies and requirements in 1945 I propose to use this figure with the following conditions:

1. Approximately equal monthly requirements throughout the year.
2. Any savings in alcohol for styrene or butadiene resulting from the projected installation of recovery equipment at the butadiene plants will represent equivalent deductions from the 365,000,000-gallon requirement.

Please advise whether the above assumptions appear reasonable to you.

Yours very truly,

WALTER G. WHITMAN,
Assistant Director, Chemicals Bureau.

MARCH 8, 1944.

DR. WALTER G. WHITMAN,
Assistant Director, Chemicals Bureau, War Production Board,
Washington, D. C.

DEAR DR. WHITMAN: In answer to your letter of March 6, 1944, I think it unwise to plan alcohol requirements of less than 365,000,000 gallons for the rubber program in 1945 and feel that this should be available in equal monthly installments.

Very sincerely yours,

BRADLEY DEWEY, Rubber Director.

APRIL 7, 1944.

DR. WALTER G. WHITMAN,
Assistant Director, Chemicals Bureau,
Washington, D. C.

DEAR DR. WHITMAN: In answer to your request for revised estimates as to the alcohol we will use this year for the making of synthetic rubber, I write to say that the plants making butadiene from alcohol are doing better every day than was anticipated, and I do not think it is safe for us to contemplate that our demands for this year will be less than 365,000,000 gallons. For any accuracy in this type of figuring, you can contemplate that our demands will probably be spaced equally throughout the rest of the year. You realize, of course, that if the manpower problems are not straightened out, this demand may not materialize. We have been assured that manpower will be taken care of and we are confident that means will be found to keep the tire factories running.

Very sincerely yours,

BRADLEY DEWEY, Rubber Director.

REVISED ESTIMATE OF NEED FOR ALCOHOL IN THE RUBBER PROGRAM
(Letters from Col. Bradley Dewey, Rubber Director)

WAR PRODUCTION BOARD,
OFFICE OF RUBBER DIRECTOR,
Washington, D. C., June 21, 1944.

HON. PAT MCCARRAN,
United States Senate, Washington, D. C.

MY DEAR SENATOR: Attached please find copy of a letter I wrote Mr. Donald Nelson yesterday.

With best regards, I am
Very sincerely yours,

BRADLEY DEWEY, Rubber Director.

WAR PRODUCTION BOARD,
OFFICE OF RUBBER DIRECTOR,
Washington, D. C., June 20, 1944.

MR. DONALD NELSON,
Chairman, War Production Board, Washington, D. C.

DEAR MR. NELSON: As requested, I have reviewed our estimated needs for alcohol. This review reflects the effect of the excellent performance of some of the big plants for making butadiene from petroleum, the completion this month of the plant at Lake Charles and the operation of the Houdry units. It also reflects the effect of manpower shortages in the rubber-goods manufacturing plants.

As a result of these studies, we now estimate that our requirements of alcohol during the second half of 1944 will not be more than 165,000,000 gallons and during 1945, 335,000,000 gallons.

These estimates bring our stated requirements of alcohol to those in exhibit B of Progress Report No. 5 and reflect our conclusion that it is no longer necessary to claim the additional alcohol formerly carried as a safety factor to protect against possible difficulties in the petroleum plants.

Our requirements for alcohol will be reduced further in the event that the overall war program makes it advisable for us to use sufficient butylenes to run the butadiene from butylene plants at anything like their demonstrated capacities.

Very sincerely yours,

BRADLEY DEWEY, Rubber Director.

LIQUOR "HOLIDAY"

(Press release issued by War Production Board)

JUNE 20, 1944.

Donald M. Nelson, Chairman of the War Production Board, announced today that, in line with the established War Production Board policy of releasing any facilities not needed for winning the war, he is notifying the Nation's distillers that their facilities will not be needed for making industrial alcohol during the month of August. They will return to industrial alcohol production in September.

Mr. Nelson took this action after receipt of a letter from Rubber Director Bradley Dewey stating that the program for making butadiene from petroleum is proceeding satisfactorily and that the requirements of the rubber program for industrial alcohol will be some 20,000,000 gallons less than was estimated for 1944 and approximately 30,000,000 gallons less for 1945.

Requirements for industrial alcohol for 1944 for all war purposes are now estimated at 614,000,000 gallons. New supply is estimated at 612,000,000 gallons, and Government stocks of alcohol, including reserve stockpile and working stocks, are approximately 80,000,000 gallons. In view of these figures, Mr. Nelson said, it will be possible to disperse with the distillers' August production, which would be in the neighborhood of 20,000,000 to 25,000,000 gallons of 180-proof alcohol.

The entire production of the distillers of America has been taken for industrial alcohol since October 8, 1942, the War Production Board said.

Alcohol projects decided upon and approved subsequent to the Baruch report

(Table prepared by War Production Board, Chemical Division, as of Mar. 10, 1944)

Plant and location	Annual capacity (approximate in gallons)	Date of War Production Board approval	Date of initial operation	January 1944 production (gallons)	February 1944 production (gallons)
1. Yankton Industrial Alcohol Co., Yankton, S. Dak.	1,300,000	November 1942	July 1943.....	76,000	87,000
2. Dakota Brewing Co., Huron, S. Dak.	1,100,000	December 1942	May 1944.....	.....	.....
3. Park Brewing Co., Boston, Mass.	900,000	.....do.....	May 1943.....	70,000	69,000

Alcohol projects decided upon and approved subsequent to the Baruch report—Con.

Plant and location	Annual capacity (approximate) gallons	Date of War Production Board approval	Date of initial operation	January 1944 production (gallons)	February 1944 production (gallons)
4. Carrollton Springs Pure Rye Distillery, Inc., Baltimore, Md.	2,500,000	January 1943	October 1943	171,000	238,000
5. Farm Crops Processing Corporation, Omaha, Neb.	17,500,000	.....do	March 1944	.....	.....
6. National Distillery Products Corporation, Kansas City, Mo.	15,000,000	February 1943	February 1944	.....	50,000
7. Grain Processing Corporation, Muscatine, Iowa	8,000,000	March 1943	December 1943	291,000	483,000
8. Montreal Products, Montreal, Canada	1,500,000	January 1943	December 1943	1125,000	1125,000
9. Joseph E. Seagram, Louisville, Ky.	5,600,000	February 1943	January 1944	171,000	255,000
10. Joseph E. Seagram, Baltimore, Md.	2,600,000	March 1943	May 1944	.....	.....
11. Joseph E. Seagram, Lawrenceburg, Ind.	6,300,000	.....do	March 1944	.....	.....
12. Joseph E. Seagram, Louisville, Ky.	2,600,000	February 1943	November 1943	251,000	118,000
13. Continental Distilling Co., Philadelphia, Pa.	4,100,000	March 1943	January 1944	558,000	220,000
14. Boeckler Associates, Trenton Valley, Mich.	1,000,000	February 1943	March 1943	216,000	163,000
15. Roma Wine Co., Fresno, Calif.	2,100,000	March 1943	January 1944	135,000	134,000
16. American Distilling Co., Pekin, Ill.	4,100,000	.....do	February 1944	.....	84,000
17. Canadian Industrial, Ontario, Canada	1,900,000	.....do	January 1944	1,200,000	1,200,000
18. Glenmore Distillery, Owenboro, Ky.	1,000,000	April 1943	October 1943	78,000	82,000
19. Frankfort Distillery, Frankfort, Ky.	1,300,000	.....do	September 1943	121,000	117,000
20. Sotol Co., Del Rio, Tex.	500,000	June 1943	March 1944	.....	.....
21. Galsworthy, Inc., Idaho Falls, Idaho	300,000	October 1943	.....do	.....	.....
22. Puget Sound Pulp & Timber Co., Bellingham, Wash.	2,000,000	February 1944	January 1945	.....	.....
Total.....	88,400,000	.....	.....	2,465,000	2,965,000

¹ We have been informed that these plants are completed and operating at the indicated rates.

LEND-LEASE REQUIREMENTS

Letter from Leo T. Crowley, Administrator, Foreign Economic Administration.

FOREIGN ECONOMIC ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR,
Washington, D. C., March 29, 1944.

Hon. GUY M. GILLETTE,
United States Senate.

DEAR SENATOR GILLETTE: I am glad to be able to furnish the data on industrial alcohol requested in your letter of March 7, 1944.

In the year 1943 we exported under lend-lease 65,000,000 gallons of industrial alcohol, all of which went to two countries, viz, the Soviet Union and the United Kingdom. This represented about 16 percent of the total United States production. About 33,000,000 gallons went to the Soviet Union and 32,000,000 gallons to the United Kingdom. All of the alcohol was used for direct war purposes, principally for the manufacture of explosives and synthetic rubber.

In 1944 we expect to ship under lend-lease approximately 8 percent of the total available supply, virtually all of which is scheduled to go to the Soviet Union. The Russians require alcohol for their synthetic rubber and explosives programs because of the destruction by the Nazis of some of the Soviet alcohol plants and the occupation of a considerable portion of their best grain-producing territory.

The latest available monthly figures on exports are for January 1944. In this month we exported under lend-lease about 600,000 gallons of alcohol to the Union of Soviet Socialist Russia. None went to any other country.

Very small amounts of alcohol may be sent during 1944 to the liberated areas for pharmaceutical purposes.

I hope this information meets the needs of your committee. Please call upon me if additional data are desired.

Sincerely yours,

Leo T. Crowley, Administrator.

Production of registered distilleries and industrial alcohol plants—Equipment or plant leased from the Defense Plant Corporation January–December 1943

(Prepared by Alcohol Tax Unit, April 11, 1944)

REGISTERED DISTILLERIES [Tax gallons]

Plant number	Name and address	Production ¹
1272	The American Distilling Co., Inc., Pekin, Ill.	12,539,901
1465	A. Smith Bowman, Sunset Hills, Va.	965,271
1779	The Athertonville Distillery, Inc., Athertonville, Ky.	1,785,750
2070	Associated Kentucky Distillers Co., Lebanon, Ky.	1,444,494
1022	Baltimore Pure Rye Distillery Co., Baltimore, Md.	2,875,765
1465	Belle Meade Distilling Corporation, Belle Meade, Va.	953,076
1055	Bonds Mill Distilling Co., Lawrenceburg, Ky.	998,020
1724	Carrollton Springs Pure Rye Distillery, Inc., Baltimore, Md.	399,971
1726	Churchill Distilling Co., Boston, Ky.	1,187,055
2953	Columbia American Distilleries, Inc., Columbia, Ill.	763,444
1653	Consolidated Distilleries, Inc., East Taunton, Mass.	1,244,771
1649	Country Distillers Products, Inc., Deasville, Ky.	2,391,004
2828	David Meade Distilling Co., Meadville, Pa.	2,257,646
1680	Dillinger Distilleries, Inc., Russell, Pa.	1,284,087
1502	Fairfield Distillery, Inc., Bardstown, Ky.	1,951,834
1636	Frantz Distilleries, Inc., Meyersdale, Pa.	338,349
1470	General Distillers Corporation of Kentucky, Louisville, Ky.	2,241,343
2030	The George T. Stagg Co., Limestone Springs, Ky.	1,544,771
1696	Glenfrost Distillery Co., Shively, Ky.	1,721,124
2105	Gross River Distilling Co., Stamping Ground, Ky.	2,091,207
1857	Harford County Distillery, Inc., Havre de Grace, Md.	2,156,841
1895	The H. E. Pogue Distillery Co., Mayville, Ky.	907,880
1436	Hirsch Distilling Co., Lorretto, Ky.	820,973
1559	James B. Beam Distilling Co., Clermont, Ky.	1,666,052
1660	Kentucky River Distillery, Inc., Camp Nelson, Ky.	1,591,973
2055	Manor Distilleries, Inc., Manor, Pa. (premises approved Mar. 17, 1944)	.....
1476	Meadow Law Distilleries, Inc., Meadville, Pa.	1,805,133
1422	Medley Distilling Co., Owenboro, Ky.	1,603,562
1446	Blue Grass, Gettysburg, Md.	1,064,084
1445	Elkhorn Forks, Franklin County, Ky.	816,025
1447	Hermilago, Lawrenceburg, Ky.	38,754
1449	Old Crow, Woodford County, Ky.	4,452,019
1445	Old Taylor, Woodford County, Ky.	1,676,805
1446	Rumrunk, Louisville, Ky.	257,887
1748	Old Dixie Distillery Co., Inc., Falling Creek, Va.	1,785,793
1293	Old Clover Distilling Co., Aldover, Pa.	1,000,027
1735	Old Heaven Hill Springs Distillery, Bardstown, Ky.	1,816,025
1900	Old Times Distillery Co., Ekron, Ky.	943,736
1670	Crack Noonmain Distillery Co., Joliet, Mo.	1,680,375
1488	Park & Tilford Distillers, Inc., Midway, Ky.	1,712,156
1496	Park & Tilford Distillers of Kentucky, Inc., Louisville, Ky.	2,389,375
1489	Park & Tilford Distillery, Inc., Brownsville, Pa.	3,482,652
1487	Park & Tilford Distillers, Inc., Tell City, Ind.	1,639,698
2010	Park & Tilford Distillers, Inc., Owens Mill, Md.	1,246,434
1561	Rippy Bros. Distillers, Inc., Lawrenceburg, Ky.	1,632,645
1636	Shavhan Distillery Co., Inc., Bardstown, Ky.	1,389,862
1478	Sitzel-Weiler Distillery, Inc., Shively, Ky.	2,152,608
1611	Taylor & Williams Distilleries, Inc., Shively, Ky.	1,389,862
1510	Ton Moore Distillery Co., Bardstown, Ky.	3,566,832
1983	Union Distillers of America, Ltd., Baltimore, Md.	4,043,284
1631	Walton Bros. Distillers, Greenshire, Ky.	868,131
	Grand total.....	94,989,177

¹ See footnote, p. 850.

Production of registered distilleries and industrial alcohol plants—Equipment or plant leased from the Defense Plant Corporation January–December 1943—Continued

INDUSTRIAL ALCOHOL PLANTS

[Proof gallons]

Plant number	Name and address	Production
2015	Boecker Associates, Trenton, Mich.	8,887,277
2060	Clifton Products Co., Clinton, Iowa	3,138,771
1322	B. I. du Pont de Nemours & Co., Deep Water, N. J.	32,797,063
1058	Farm Crops Processing Corporation, Omaha, Neb., (approved Feb. 10, 1940)	5,285,271
1905	Genesee Brewing Co., Inc., Rochester, N. Y.	21,961
1064	Grain Processing Corporation, Muscatine, Iowa	24,355,060
1731	Gulf Distilling Corporation, Orono, La.	6,138,487
1312	Midwest Solvents Co., Alhambra, Kans.	925,420
1022	National Distillers Products Corporation, Kansas City, Mo., (approved Feb. 7, 1940)	780,039
1444	Blackstone, Bardonia, Ky.	2,021,981
1446	Blue Grass, Gettysburg, Ky.	1,305,095
1445	Elkhorn Forks, Franklin County, Ky.	4,502,161
1457	Hermilage, Lawrenceburg, Ky.	5,693,882
1447	Old Grand Dad, Louisville, Ky.	2,354,094
1448	Sunshine, Louisville, Ky.	3,861,805
1452	A. Overholt & Co., Inc., Larar, Pa.	67,954,680
1451	A. Overholt & Co., Inc., Broad Ford, Pa.	3,765,195
1334	Puhalick Commercial Alcohol Co., Philadelphia, Pa.	5,329,871
1380	United States Industrial Chemicals, Inc., Yonkers, N. Y.	47,383,595
1391	United States Industrial Chemicals, Inc., Newark, N. J.	
1386	United States Industrial Chemicals, Inc., Baltimore, Md.	
	Grand total.....	228,344,321

Production of other registered distilleries and industrial alcohol plants (not included above)

REGISTERED DISTILLERIES

[Tax gallons]

State and registry No.	Name	Production
Arizona: 1.....	Schenley Distilleries, Inc.	312,538
California:		
4.....	Hedgesdale Distillery Corporation	1,440,850
11.....	The American Distilling Co.	3,971,060
1.....	Roma Wine Co.	676,900
1.....	United Distillers Products Corporation	601,400
Georgia: 1.....	Pennmont Distillers, Inc.	866,477
Illinois:		
1.....	Hiram Walker & Sons, Inc.	7,430,706
3.....	National Distillers Products Corporation	33,044,385
4.....	Belvidere Distilling Co.	13,435,922
8.....		2,452,867
Indiana:		
1.....	Joseph B. Seagram & Sons, Inc.	26,112,151
2.....	Schenley Distilleries, Inc.	4,239,405
3.....	Commercial Distillers Corporation	15,860,028
4.....	James Walsh & Co., Inc.	2,808,727
5.....	Merchants Distilling Corporation	8,600,567
7.....	Old Quaker Co.	6,420,723
8.....	W. P. Squibb Distilling Co., Inc.	889,117
Kentucky:		
1.....	Bernheim Distilling Co.	4,164,064
2.....		2,583,295
5.....	Jas. F. Pepper & Co.	3,445,784
7.....	Frankfort Distilleries, Inc.	2,372,190
10.....	The Fleischmann Distilling Corporation	4,815,295
11.....	The New England Distilling Co.	2,294,948
15.....	Old Lewis Hunter Distillery Co.	735,340
21.....	Frankfort Distilleries, Inc.	1,129,681
21.....	Blair Distilling Co.	756,194
23.....	Dowling Bros. Distilling Co.	8,640,759
24.....	Glennage Distilleries Co.	292,065
29.....	Waterfall & Frazier Distillery Co.	197,024
29.....	J. F. Brown's Son Co.	1,218,543
34.....	Pfeibler Distillery Co.	

See footnote at end of table.

Production of other registered distilleries and industrial alcohol plants (not included above)—Continued

REGISTERED DISTILLERIES—Continued

[Tax gallons]

State and registry No.	Name	Production
Kentucky:		
30.....	Blue Ribbon Distilleries Co.	528,669
37.....	Joseph B. Seagram & Sons, Inc.	10,730,404
40.....	Old Colonel Distillery	1,652,842
43.....	The Willett Distilling Co.	442,303
49.....	Burke Spring Distillery Co., Inc.	138,721
48.....	Dant & Dant of Kentucky	15,807,427
52.....	Labrot & Orsham	1,206,015
111.....	H. McKenna, Inc.	618,228
113.....	Hoffman Distilling Co.	362,023
112.....	The Geo. T. Stag Co.	16,029,747
169.....	The Dant Distillery Co.	178,824
354.....	Brown-Portman Distillery Co.	2,870,389
Maryland:		
1.....	Paul Jones & Co., Inc.	4,524,675
3.....	The Calvert Distilling Co.	11,643,509
4.....	Paul Jones & Co., Inc.	4,581,799
5.....	The Frank L. Wright Distilling Co.	1,496,623
7.....	James Distillery, Inc.	3,121,639
9.....	Hunter Distilleries Co., Inc.	2,188,535
11.....	Monumental Distillers, Inc.	1,217,312
12.....	The Sherwood Distilling Co.	1,158,538
27.....	National Distillers Products Corporation	2,149,100
Massachusetts:		
2.....	New England Distillers, Inc.	79,836
4.....	Readville Distilleries, Inc.	2,903,559
5.....	Fulton & Son, Inc.	896,065
6.....	A. & G. J. Caldwell, Inc.	176,354
9.....	Highland Distilleries, Inc.	683,845
Missouri:		
4.....	Jefferson Distillor Co.	322,407
5.....	Old Weston Distilling Co.	175,524
8.....	Rig Spring Distilling Co.	266,560
New Hampshire: 1.....	Nahum Chapin Distilling Co.	3,389
New York: 1.....	The Fleischmann Distilling Corporation	6,457,523
Ohio:		
2.....	Siegrist Loewenthal Co.	1,170,461
2.....	Dant & Dant of Kentucky	1,644,574
6.....	Cedar Valley Distillery, Inc.	771,842
Pennsylvania:		
1.....	Continental Distilling Corporation	25,180,354
4.....	Joe S. Finch & Co., Inc.	11,650,025
6.....	Logansport Distilling Co., Inc.	1,446,034
10.....	Kinsey Distilling Corporation	2,396,643
10.....	Fount Distilling Co.	900,210
11.....	Mid-Valley Distilling Corporation	250,628
16.....	Pennola Distilling Co.	14,774
18.....	Siboney Distilling Corporation	125,540
Tennessee: 1.....	Jack Daniel Distillery	341,905
Vermont: 1.....	Lawrence Distilling Co.	325,869
Virginia: 1.....	Virginia Distillery Corporation	256,348
Wisconsin: 1.....	W. B. Gambill Distilling Co.	863,675
	Grand total.....	307,853,040

Production of other registered distilleries and industrial alcohol plants (not included above)—Continued

INDUSTRIAL ALCOHOL PLANTS
(Proof gallons)

State and industrial alcohol plant No.	Name	Production *
California:		
25.....	Commercial Solvents Corporation.....	4,478,882
112.....	United States Industrial Chemicals, Inc.....	2,922,428
224.....	Lac Chemicals, Inc.....	2,902,631
295.....	Suncoast Winery.....	1,182,659
312.....	E. & J. Gallo Winery.....	527,910
313.....	Francia Brothers Winery.....	891,740
323.....	R. Christ & Sons, Inc.....	748,775
328.....	Monarch Wine Co.....	258,946
329.....	Biscaglia Bros. Wine Co.....	1,187,983
331.....	San Martin Vineyards Co.....	358,907
333.....	Petr Wine Co.....	655,221
340.....	San Gabriel Vineyard Co.....	158,696
Illinois:		
152.....	Commercial Solvents Corporation.....	3,085,867
311.....	Biscaglia Distilling Co.....	2,390,138
Indiana:		
290.....	Commercial Solvents Corporation.....	6,800,641
219.....	Carbide & Carbon Chemicals Corporation.....	23,056,450
226.....	Schenley Distilleries, Inc.....	11,591,871
Kentucky 246.....	Brown-Forman Distillery Co.....	14,194,969
Louisiana:		
.....	United States Industrial Chemicals, Inc.....	30,791,477
31.....	Commercial Solvents Corporation.....	31,251,038
128.....	Charles Alcohol Co.....	6,318,671
223.....	Standard Oil Company of Louisiana.....	4,967,016
239.....	Publiker Commercial Alcohol Co.....	9,370,938
316.....	The Monticello Distillery Co.....	12,521,161
Maryland: 251.....	The Monticello Distillery Co.....	8,318,867
Massachusetts: 201.....	New England Alcohol Co.....	11,553,570
Missouri: 38.....	Consolidated Products Co.....	64,318
New Jersey:		
240.....	Bare Chemicals, Inc.....	69,820
247.....	American Cyanamid Co.....	367,208
Ohio: 316.....	National Distillers Products Corporation.....	17,907,416
Pennsylvania:		
26.....	Publiker Commercial Alcohol Co.....	12,143,358
140.....	Siboney Distilling Corporation.....	5,750,849
Puerto Rico:		
179.....	Puerto Rico Distilling Co.....	735,776
222.....	Distilleria Serallies, Inc.....	723,444
297.....	Asociacion Azucarera Coop. La Guayma.....	41,655
South Dakota: 397.....	Yankton Industrial Alcohol Co.....	496,093
Territory of Hawaii: 77.....	California Packing Corporation.....	427,668
Texas: 241.....	Carbide & Carbon Chemicals Corporation.....	21,979,796
Virginia: 28.....	Hercules Powder Co.....	725,326
West Virginia:		
180.....	Carbide & Carbon Chemicals Corporation.....	46,131,003
238.....	E. I. du Pont de Nemours & Co.....	262,710
Wisconsin: 46.....	Red Star Yeast & Products Co.....	2,046,995
	Grand total.....	288,977,042

* Represents total production at registered distilleries. Includes production of spirits and unfinished spirits by original distillation and production of spirits by the redistillation of unfinished spirits (less than 190 proof). For quantities of 190 proof spirits produced by redistillation of unfinished spirits at registered distilleries see pp. 6 and 7 (registered distilleries). The production by original distillation may be obtained by subtracting the production by redistillation from the total production.

* Represents total production of industrial alcohol plants. Includes production of alcohol by original distillation and the production of alcohol by redistillation of unfinished spirits (less than 190 proof). For quantities of alcohol produced by redistillation see pp. 6 and 7 (industrial alcohol plants). The production quantities of alcohol produced may be obtained by subtracting the production by redistillation from the total production.

Production of spirits and alcohol of 190 proof by redistillation of unfinished spirits at registered distilleries and industrial alcohol plants—equipment or plant leased from Defense Plant Corporation January–December 1943

REGISTERED DISTILLERIES

[Tax gallons]		
Plant number	Name and address	Production
1449	Old Crow, Woodford County, Ky.....	1,245,773
1631	Watson Bros. Distillers, Greenbrier, Ky.....	109,240
	Grand total.....	1,355,013

* Excludes redistillation of 6,611,394 proof gallons of spirits and 1,492,335 proof gallons of whiskey.

INDUSTRIAL ALCOHOL PLANTS

[Proof gallons]		
2960	Clinton Products Co., Clinton, Iowa.....	4,215
1312	Midwest Solvents Co., Atchison, Kans.....	318,619
1457	Herrington, Lawrenceburg, Ky.....	8,094
1386	United States Industrial Chemicals, Inc., Baltimore, Md.....	31,507,593
2015	Boeckler Associates, Trenton, Mich.....	1,417,523
1391	United States Industrial Chemicals, Inc., Newark, N. J.....	1,653,083
2098	Publiker Commercial Alcohol Co., Philadelphia, Pa.....	6,130
1452	A. Overholt & Co., Inc., Leips, Pa.....	35,196,137
	Grand total.....	35,196,137

Production of other registered distilleries and industrial alcohol plants (not included above)

REGISTERED DISTILLERIES

[Tax gallons]		
State and registry No.	Name	Production
Illinois:		
3.....	Hiram Walker & Sons, Inc.....	211,217
2.....	National Distillers Products Corporation.....	2,383,521
Indiana:		
.....	James Walsh & Co., Inc.....	771,816
.....	Old Quaker Co.....	1,959,759
Kentucky: 11.....	The New England Distilling Co.....	2,331,925
	Grand total.....	17,892,268

* Excludes redistillation of 6,611,394 proof gallons of spirits and 1,492,335 proof gallons of whiskey.

INDUSTRIAL ALCOHOL PLANTS

[Proof gallons]		
State and industrial alcohol plant No.	Name	Production
California: 112.....		
.....	United States Industrial Chemicals, Inc.....	46,385
Indiana:		
20.....	Commercial Solvents Corporation.....	6,800,641
226.....	Schenley Distilleries, Inc.....	115,052
Kentucky: 246.....	Brown-Forman Distillery Co.....	9,137,698
Massachusetts: 201.....	New England Alcohol Co.....	2,541,921
Pennsylvania: 29.....	Publiker Commercial Alcohol Co.....	8,350,913
Wisconsin: 46.....	Red Star Yeast & Products Co.....	1,994,373
	Grand total.....	28,989,894



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